MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

INSURANCE AND INVESTMENT ISSUE

MARCH, 1972

IN THIS ISSUE

Is your bank ahead of or behind competition in automated "officer analysis" reporting?

Can you identify the installment loan officer who's handling 16% of the dollar volume, making 33% of the loans, with 28% of the charge-offs and is contributing only 7½% to installment loan profits.

Can you single out this individual? Possibly. But not likely without data processing.

You see, the right data processing program can give you an "officer analysis" report detailing each individual's productivity, as outlined above. With it, you can pin-point areas of weakness and take the proper steps to correct them. You can also single out exceptional officers for the recognition they deserve.

Detailed officer analysis reports is just one of the benefits of Data Processing. Other equally important management reports include: Accrual Calculations; Interest Notification; Employee Loans; Ledger Card; Past Due Lists and more.

Yes, Data Processing can help you solve a multitude of problems. And, enable you to run a more efficient and profitable operation. If you have any questions about establishing or changing your Data Processing Program, contact our Correspondent Department so that you'll receive the right answers to your specific problems - and gain a step on your competition, too.

LIBERTY

THE BANK OF MID-AMERICA

The Liberty National Bank and Trust Company of Oklahoma City P. O. Box 25848 73125 Phone 405/231-6163 Member F.D.I.C.

Fidelity of Baton Rouge Elects Craig President; Ward Remains Chairman

BATON ROUGE—Frank S. Craig Jr. has been elected president of Fidelity National, succeeding W. LeRoy Ward Jr., chairman, who retired as president. He had held the latter post since 1954.


CRAIG

William B. Gladney has retired as an officer of the bank, but was re-elected vice chairman. He had been an officer and director since 1938.

Several trust department promotions were announced: Donald G. Reynolds, to vice president and senior trust officer; Mrs. Lillian T. Carter, Mrs. Mary C. Dobrowolski and Robert P. Breazeale Jr., to assistant trust officers.

The bank has a new director, Victor A. Sachse, a senior partner in the firm of Breazeale, Sachse and Wilson, attorneys. H. Payne Breazeale and Louis A. Carville retired as active directors and were elected advisory directors. Mr. Breazeale is with the same firm as Mr. Sachse, and Mr. Carville is in investments.

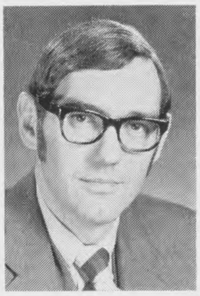
Mr. Craig was a practicing attorney before being elected senior vice president and trust officer of Fidelity National four years ago. He holds B.A. and law degrees from Louisiana State University, Baton Rouge.

In other action, the bank announced shareholder approval of a 2½% stock dividend that raises capital from $3,412,500 to $3.5 million.

• **Earnings.** The bank's 1971 net income amounted to $1.6 million, or $4.70 a share, compared with $1.3 million, or $3.88 a share, in 1970.

Lake Elected Vice President At National Boulevard Bank

CHICAGO—James L. Lake has joined National Boulevard Bank as vice president of marketing.


LAKE

Before joining the bank, he was senior marketing analyst and researcher for R. R. Donnelley & Sons. He also has had 11 years' banking experience with Northern Trust as a marketing officer.

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

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FEATURES

DEPARTMENTS

STATE NEWS

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NEWS OF THE BANKING WORLD

• **Six new members** have been elected to the regional advisory committee on banking policies and practices of the Eighth National Bank Region.

Elected to two-year terms were: W. B. Brannan, president, First National, Canton, Miss.; William A. Carpenter, president, Whitney National, New Orleans; W. E. Howard Jr., president, Commercial National, Laurel, Miss.; C. Bennett Harrison, chairman, Union Planters National, Memphis; W. E. Newell, president, First National, Kingsport, Tenn.; and J. W. Roberson, chairman and president, First National, West Monroe, La.

The committee's function is to assist the Office of the Comptroller of the Currency in a continuing review aimed at keeping bank regulations abreast of the nation's needs—on one hand, averting excessively constrictive public controls and, on the other hand, providing the necessary safeguards for the viability of the banking system.

• **Six new members** have been elected to the regional advisory committee of the 10th National Bank Region for two-year terms.

New members from the Mid-Continent area are: C. Q. Chandler, president, First National, Wichita; Bill B. Lee, chairman and president, First National, Neosho, Mo.; David H. Morey, chairman, Boatmen's National, St. Louis; and Willis E. Stout, chairman, First National, Goodland, Kan.

Other members of the committee, whose terms expire December 31, 1972, include: Evans McReynolds, president, Union National, Springfield, Mo.; and Merrill H. Werts, president, First National, Junction City, Kan.

• **The American Bankers Association** has made two new appointments. Cliff Sessions was named executive director of communications and Peter V. O'Reilly was elected director of member service marketing and development.

Mr. Sessions will head the communications group, which is responsible for newsletters, news releases, a monthly magazine and audio, video and film features. Mr. Sessions, who joined the ABA last fall, is a former magazine editor, federal information officer, UPI newsman and broadcaster.

Mr. O'Reilly had been serving as manager of audio-visual services for the ABA. According to Willis W. Alexander, executive vice president of the ABA, Mr. O'Reilly's new position is being established "to provide a focal point for response by members to the wide variety of ABA services and for additional expressions of membership needs." The new position will be part of the special activities group.

Mr. O'Reilly has an extensive background in marketing, advertising, public affairs and broadcasting.

• **Lenvil R. Hall** has been appointed Kentucky's new commissioner of banking. He had been serving as president of Hancock Bank, Hawesville, a position he had held since 1965.

Before joining Hancock Bank, Mr. Hall was president and chairman of Berea Bank and president of Citizens Bank, Glasgow. He served as secretary of the Kentucky Bankers Association from 1959 until 1963. Mr. Hall was in the real estate department of Citizens Fidelity, Louisville, from 1951 until 1959.

HALL

GUENTHER

• **Dr. Harry P. Guenther** has been elected president of Carter H. Golembe Associates, Inc., Washington, D. C. He succeeds Lewis N. Dembitz, who is now vice chairman and a director.

Dr. Guenther is responsible for the overall direction of the firm's consulting activities and for implementing plans for expansion. He formerly was executive vice president-economist of the Conference of State Bank Supervisors.

Philip C. Meyer was appointed director of information and coordinates the firm's information activities, including its publication and seminar programs. Mr. Meyer had been director of editorial services for the American Bankers Association.

• **Foundation for Full Service Banks** has made several new elections. Tully F. Dunlap, president, Riverside Bank, Miami, and a trustee of the Foundation, was elected to the executive committee as membership chairman for smaller banks.

Retiring from the executive committee are: Hildreth Auer, chairman and president, Malden (Mass.) Trust; and John Luetkemeyer, chairman, Equitable Trust, Baltimore.

The Foundation has named five new trustees-at-large. Appointed to a three-year term was James Elleman, chairman, American National, Morristown, N. J., who replaces G. E. Wiedenmayer, chairman, National Newark (N. J.) & Essex Bank.

Elected to two-year terms were: William N. Flory, vice president-marketing services, Harris Trust, Chicago, replacing Edward C. Boldt, senior vice president, International City Bank, New Orleans; Kermit Hansen, executive vice president and member of the executive committee, United States National, Omaha; John C. Geilfuss, chairman and president, Marine National Exchange, Milwaukee, replacing George F. Kasten, chairman, First Wisconsin National, Milwaukee; and James Keay, president, Republic National, Dallas.

• **Bankers Trust**, New York City, has opened its newest banking facility at the North Tower, World Trade Center. The official staff of the bank's international commodities division has moved to the new location.

A second center for international banking, designed to service the banking needs of individual foreign customers, also will be established at the new location. This will supplement the original center serving individual foreign accounts at Bankers Trust.

In addition, export financing facilities and territorial officers of the bank's international department will be located at the World Trade Center.

Charles R. Beddows Jr., vice president, will be in charge of international banking operations at the World Trade Center. Richard E. Trent, assistant treasurer, will be in charge of the center for international banking.

THE BANKING SCENE

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

Loan Repurchase Agreements

MANY BANKERS have had some basic knowledge or experience with repurchase agreements for U. S. Treasury and agency securities. Moderate-size country banks and other entities with short-term excess funds—such as treasurers of states, counties, cities, municipalities, school districts or corporations—simply purchase government securities from city banks or bond dealers. They, in turn, agree to buy the securities back (repurchase) at a higher price at the time the country bank or other entity judges it will need the funds.

This "subterfuge" in effect permits Regulation Q to be bypassed and is a basic reason why the Federal Reserve System removed large CDs from maximum interest rate ceilings. Often, the physical security under the repurchase agreement would not even change banks. A memorandum receipt of the purchase and repurchase would suffice for the majority of financially sophisticated users.

Because the "collateralization" (the Treasury or agency security) consideration exists, typically there is a 12½-to-25 basis point discount below the comparable federal fund rate when treasurers of municipalities take this route.

A number of institutions—especially savings and loan associations that have had some CD losses in closed banks—prefer the repurchase agreement of U. S. securities to CDs. It looks much better than a bank deposit on their balance sheet; but more than that, the repurchase timing can be more closely determined by negotiation than can maturities on comparable-yielding governments.

Banks below $150 million of assets typically comprise those originally buying the Treasuries under repurchase agreements. Banks with over $150 million of assets typically are the sellers who agree to repurchase the Treasuries from their country correspondents.

It was only a matter of time—1969 to be exact—before the sharp money market banks conceived the idea of upping the yield for their country bank respondents by offering a somewhat similar deal, tied to the much older concept of a loan participation. However, in the normal bank loan participation, the country banker was not much of a master of his own bank's loan maturity schedule. He could reject a participation offered to his bank, or accept it and the terms on which the loan was made. The loan maturity was typically determined by the borrower, who worked out the terms with his city bank. These terms often would not coincide with the seasonal loan demand of the country banks' regular local borrowers.

To resolve this problem, the logical solution was for the city bank to agree to repurchase the loan from the country bank. Of course, there was an expected implicit "charge" for this added convenience. The city bank simply discounted the loan to the country bank to a point that compensated the city bank for the added service it performed. Such a practice can be termed "downstream" loan participations. "Upstream" loan participations, or those originated by country bankers who had large loan applications—on feed lot operations for instance—that exceeded their legal loan limits, were participated upward to their city correspondents. Few of these, however, had repurchase agreements, simply because of the low legal limits of the country banks.

The yields on both these types—upstream and downstream—were significantly higher than the yields on government securities repurchase agreements. There was naturally more risk involved also.

These higher gross yields of 9%-10% (less a servicing fee) for participation of, say, ½% and a repurchase agreement fee of, say, ¼% still provided an attractive net yield of 8¼% to 9¼%.

The problem for many of the large city banks was how to attract funds in the volume necessary to make additional loans of this type. This took some doing, but the bright young men in the money market banks worked out a system. Top bank management was, at times, reluctant to go along, but go along it did.

The solution was to sell the loans to country banks on a repurchase agreement if possible; but when the country correspondent could not or would not take any more loans, they were offered to other financial institutions, such as insurance companies, pension funds or even to the public.

From a point of bank strategy, these city banks strove to place their repurchase loan participation agreements with other than their depositing customers. After all, if they sold the loan RPs to their depositors, the depositor would pay for it with a check on that bank. That would be self-defeating—or would it?

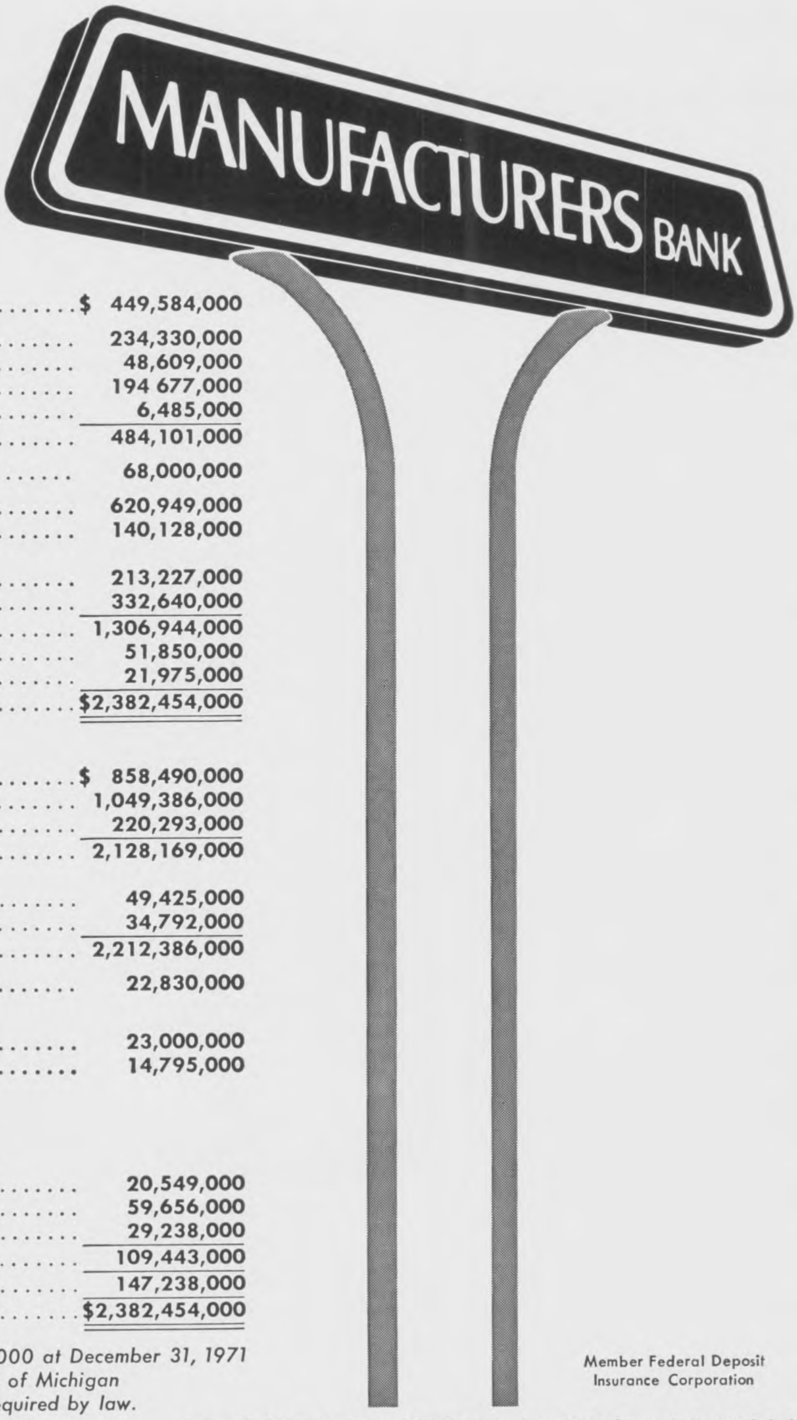
Generally, it would be just that, but what about the bank customer who indicated he was dissatisfied with Regulation Q's ceiling and planned to buy some U. S. Treasury bills or commercial paper? Here was an account that the bank would lose unless a counter offer could be made extending a higher yield than could the Treasury bills or similar paper. The bank would also have to tailor maturities exactly to customers' needs for cash. So why not follow the marketing concept and provide the service profitably to the customer?

This the big banks did, and so successfully that the Federal Reserve System had to stretch its imagination and give an elastic definition to such transactions. Shades of Truth-in-Lending! ! ! Thus, the Federal Reserve Board, in its infinite wisdom, ruled that repurchase loan participations were actually deposits and, therefore, subject to interest rate ceilings and reserve requirements. The American Institute of Certified Public Accountants lost its cool on this rationalization. Thus, this interesting bank service and innovation was emasculated. But banks and non-

(Continued on page 16)

CONSOLIDATED STATEMENT OF CONDITION

December 31, 1971



RESOURCES

Cash and Due from Banks	$ 449,584,000
U. S. Treasury Securities	234,330,000
Public Housing Authority Securities	48,609,000
State and Municipal Securities	194 677,000
Other Securities	6,485,000
Total Securities	484,101,000
Federal Funds Sold	68,000,000
Commercial Loans	620,949,000
Instalment Loans	140,128,000
Real Estate Mortgage Loans:	
Insured or Guaranteed	213,227,000
Other	332,640,000
Total Loans	1,306,944,000
Bank Properties and Equipment	51,850,000
Accrued Income and Other Resources	21,975,000
Total Resources	$2,382,454,000

LIABILITIES AND CAPITAL FUNDS

Demand Deposits	$ 858,490,000
Personal Time and Savings Deposits	1,049,386,000
Other Time Deposits	220,293,000
Total Deposits	2,128,169,000
Federal Funds Purchased and Securities Sold under Agreements to Repurchase	49,425,000
Accrued Expenses and Other Liabilities	34,792,000
Total Liabilities	2,212,386,000
Reserve for Possible Loan Losses	22,830,000
Capital Funds:	
Capital Notes—4.65%, Due 1989	23,000,000
Convertible Capital Notes—5%, Due 1994	14,795,000
Stockholders' Equity:	
Common Stock—$10 par value:	
Authorized—2,400,000 shares	
Outstanding—2,054,928 shares in 1971 and 2,051,258 shares in 1970	20,549,000
Surplus	59,656,000
Undivided Profits	29,238,000
Total Stockholders' Equity	109,443,000
Total Capital Funds	147,238,000
Total Liabilities and Capital Funds	$2,382,454,000

NOTE: Securities carried at approximately $205,000,000 at December 31, 1971 were pledged to secure public deposits (including State of Michigan deposits of $23,313,000) and for other purposes as required by law.

Member Federal Deposit Insurance Corporation

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OF DETROIT

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Chairman and President, R. P. Scherer Corporation

Proponents, Opponents of Multibank HCs Push Legislation in Indiana, Missouri

LEGISLATIVE assaults are in the making in two Midwestern states—Indiana and Missouri—one to permit holding companies, the other to limit them.

A new group of banks and businessmen is being organized in Indiana to seek repeal of a 15-year-old state law prohibiting multibank holding companies.

The group is named the League for Economic Development, and its members have begun a campaign that is expected to result in an attempt to propose repeal legislation in the 1973 session of the Indiana legislature.

Forty banks had joined the league by mid-February. The league has a goal of 100 bank members before the end of 1972. Names of members will not be revealed until later in the year.

Billed as "not exclusively a banker's group," the league welcomes all businessmen who share "a common thought—that changes in our state laws are necessary to bring about a productive business climate."

The league argues that the state's economy can be enhanced "through larger banking units which will benefit the public."

The law banning multibank HCs was enacted in 1957. An attempt was made to lift the ban last year, but it failed following opposition from the Indiana Bankers Association.

The league expects to sponsor a study of holding company growth in other states and the impact of that growth on the business climate in those states.

Missouri's independent bankers are continuing their efforts to curb the growth of HCs in the state. One measure would prohibit any HC from controlling more than 10% of the state's total bank deposits and from acquiring affiliates more than 50 miles from the home office of the HC's largest unit. Another measure would freeze further acquisitionary expansion by multibank firms up to three years while a legislative study commission is undertaken to determine the control HCs have in the state.

The Missouri House Banks and Financial Institutions Committee held hearings on the bills at the beginning of February and is expected to report on the legislation momentarily.

None of the state's HCs has yet acquired 10% of the state's deposits, although Mercantile Bancorp., St. Louis, is approaching that figure with 9.8% control as of December 31, 1971.

Consideration of the legislation is expected to be delayed until 1973, according to Albert Spradling, chairman of the Senate Banking Committee. The House and Senate banking committees held joint hearings on the subject last fall and agreed at that time to delay any action on the subject during the 1972 session. • •

• **N. Rountree Youmans,** former general vice president, Citizens & Southern National, Atlanta, has been elected president and chief administrative officer of Hamilton Bancshares, Inc., Chattanooga. He also was named a director and member of the executive committee.

YOUMANS

At Hamilton National, lead bank of the holding company, Mr. Youmans was elected vice chairman, director and member of the executive committee.

Mr. Youmans began his banking career with Citizens & Southern National, Savannah, Ga. He became general vice president at Citizens & Southern National, Atlanta, and had total responsibility system-wide for public affairs, internal operations and overall management of the 29 affiliates and correspondent associate banks in the C&S system. He also was vice president and director of Citizens & Southern Holding Co.

• **Directors of Conill Corp.,** Chicago, one-bank holding company of Continental Illinois National, have voted to ask shareholders to change the corporation's name to Continental Illinois Corp. The name change will be voted on by shareholders at the March 27 annual meeting.

Commenting on the proposed name change, Donald M. Graham, chairman, said that "the words 'Continental Illinois' enjoy worldwide recognition" in financial circles and, for that reason, have been adopted during the past year by two of the holding company's new real estate subsidiaries as well as by the venture capital company with which Conill is associated.

Mr. Graham stated that the proposal would help achieve a more uniform nomenclature throughout the organization and thus a single, stronger identity.

• **Directors of Fort Worth National Corp.** and of American National, Amarillo, have approved an agreement in principle to merge American National with the holding company. The agreement is subject to approval of American National shareholders and various regulatory bodies.

Frank A. Paul Sr., chairman of American National, stated that no changes in management or board membership of the bank are contemplated.

• **A group** of Cape Girardeau, Mo., business leaders has filed a charter application for Mark Twain Cape Girardeau Bank. Mark Twain Bancshares, Inc., is participating with the local organizers.

Mark Twain Cape Girardeau Bank will be an autonomous operation under the management and direction of local citizens, with initial capitalization of $550,000. Mark Twain Bancshares will provide the bank with a line of credit in excess of $1 million.

• **Mercantile Bancorp., Inc.,** multibank holding company in St. Louis, has completed affiliation with Red Bridge Bank, Kansas City. The holding company also received Fed approval to acquire County Bank of St. Charles.

Other proposed affiliates are Franklin County Bank, Washington, and Trenton National.

• **Shareholders** of Union Planters National, Memphis, will receive two shares of stock of Union Planters Corp. for each share of bank stock held, if they approve a reorganization plan whereby the bank would become a wholly owned subsidiary of Union Planters Corp., a holding company.

Community Involvement

• **A public affairs conference** will be held April 23-25 at the Regency Hyatt House Hotel in Chicago. The conference will be sponsored jointly by the ABA, Bank Marketing Association and Public Affairs Council. It is described as a working session for bankers in charge of public affairs activities at their institutions.

• **Bank of America,** San Francisco, has named G. Robert Truex Jr. executive vice president in charge of social policy. In the newly created post, he will coordinate all aspects of the bank's activities involving social performance.

Specific areas of Mr. Truex's responsibilities include the bank's action programs in the fields of consumerism, the aspirations of minority groups and the environmental crisis. In addition, he will chair a committee of senior officers whose responsibilities have a major impact on the bank's social performance.

Mr. Truex joined the bank in 1966, after heading the national division of Irving Trust, New York City. He was in charge of Bank of America's international banking activities in southern California and became senior credit officer for southern California in 1968. He was named executive vice president in 1969.

• **Union National,** Little Rock, donated a $4,000 Peter Max painting to the Arkansas Art Center for its recent auction. Proceeds of the auction went to the Art Center's endowment fund. The painting donated by the bank is 64 inches by 78 inches and entitled "Subtle Movement of Earth."

• **First National Bank of Arizona,** Phoenix, is offering a "Family Financial Education Program" to high school teachers throughout the state. Objectives of the program are to familiarize students with personal money management services provided by various types of financial institutions and the principles and responsibilities involved using consumer credit.

Available free of charge, the program provides a teacher's guide and student workbooks covering the topics of managing personal income and accepting credit responsibility.

Gene Ward, special projects officer in the bank's marketing department, said, "In addition to helping the students, we hope the 'Family Financial Education Program' will prove beneficial to the bank as well. First National can serve its customers more efficiently if they are knowledgeable in banking procedures and recognize their individual responsibilities in handling their money and financial needs."

• **Fort Worth National** recently awarded fellowship grants of $1,000 each to two teachers in the Fort Worth public schools to assist them in doing advanced study in their specific educational fields. The bank inaugurated the program in 1969 and presents the awards every year.

The fellowship winners were chosen by a committee appointed by the Fort Worth Classroom Teachers Association, under whose auspices the program is conducted.

The purpose of the fellowship program is to stimulate career teachers to do advanced study in their specific educational fields, to aid teachers in keeping abreast of the changing concepts in education and to prepare teachers to meet these changes.

• **Palmer Bank Corp.,** Sarasota, Fla., has discontinued use of all outdoor poster advertising in the Sarasota area, including paper posters and painted road signs.

William C. Coleman, president, said the action is representative of the bank's interest in providing the first local means of dealing with one of Florida's environmental problems—visual pollution. He stated that funds previously spent for promotion through billboards now will be directed toward local conservation programs designed to improve or maintain the natural appearance of the Sarasota area.

• **Bank of St. Louis** recently held a display honoring the Downtown St. Louis Lions Club and its "Sight in the Fingertips" program for the blind and visually handicapped.

The display featured the Lions' new system of communication for the blind, developed by Mrs. Ruth Barr, occupational therapist at McMillan Hospital. Members of the Downtown Lions operated an information booth in the bank's main lobby, answered questions about the program and demonstrated usage of the new products and materials developed for the blind.

CALL YOUR COMMERCE MAN

Frank Greiner is one of the aggressive young bankers at Commerce in Kansas City who can help marshal the forces of the area's largest bank on your behalf.
He's ready to go to work for you today.
Give Frank a call.

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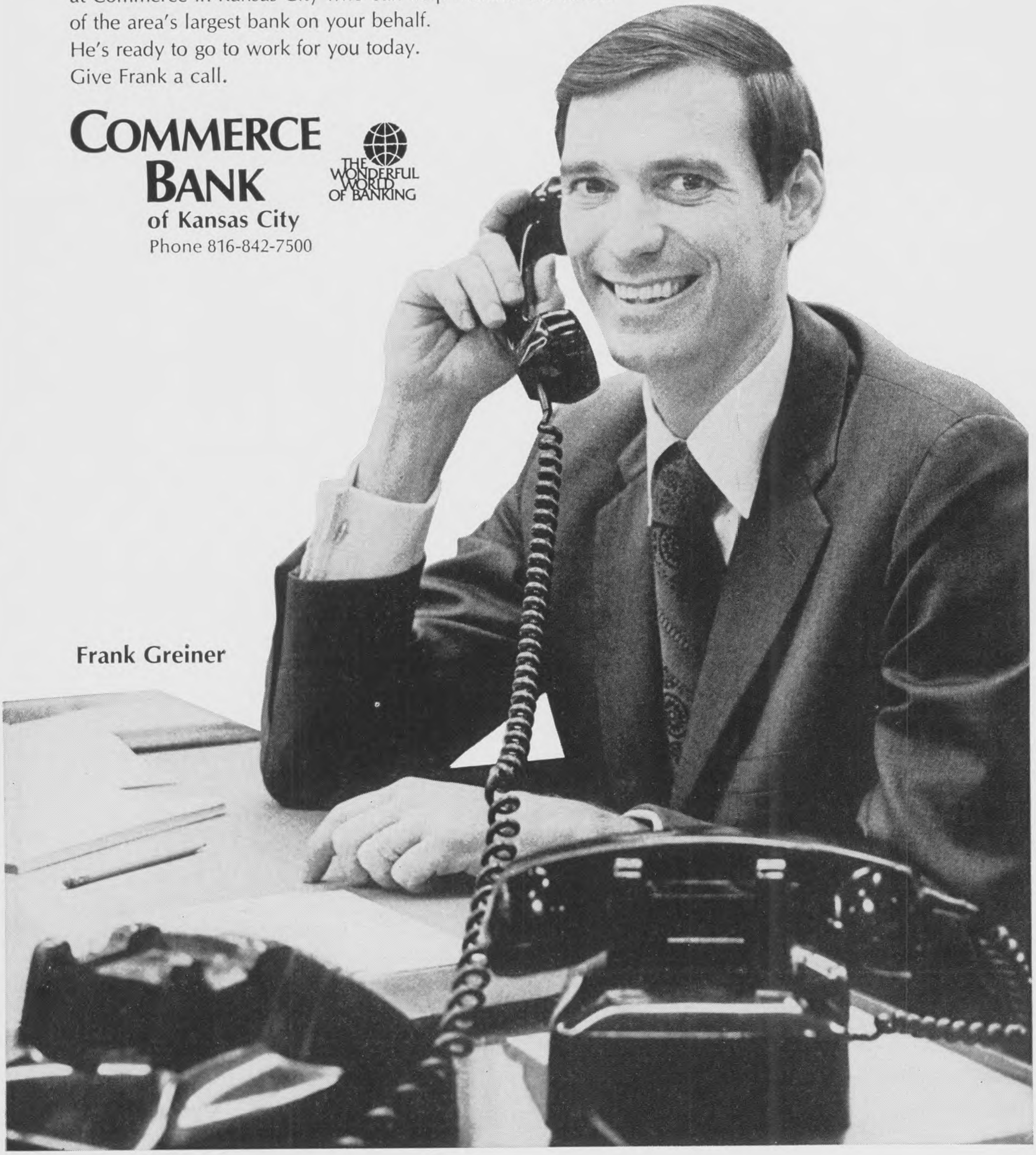
Phone 816-842-7500

THE WONDERFUL WORLD OF BANKING



Frank Greiner

CORPORATE NEWS ROUNDUP

• **James Talcott, Inc.** G. Pat Bacon, vice president, James Talcott, Inc., Chicago, has been named district manager of the firm's Chicago office. He succeeds the late Orville R. Johnson.

Mr. Bacon joined the company in 1960, was named district manager of the Dallas office in 1964 and was elected a vice president in 1965. Before his recent promotion, he had senior responsibilities in the business finance division in Oak Brook, Ill.

• **Firstline Equipment Corp.** Russell P. Short has been named a service representative by Firstline Equipment Corp., a specialized bank and office equipment firm located in Naperville, Ill.

Mr. Short works with installation and servicing of vault doors, safe deposit boxes, surveillance and security systems. Previously, he was service supervisor with Diebold, Inc.

Firstline Equipment is a wholly owned subsidiary of First Ogden Corp. of Naperville.

BACON

SHORT

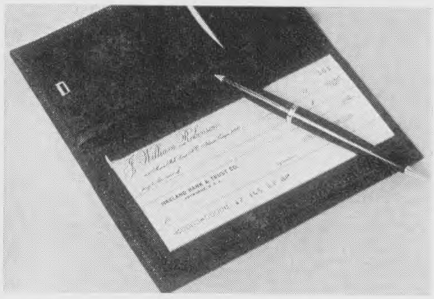
• **Financial Counselors, Inc. and INCO General Agency, Inc.** Several promotions have been announced by Financial Counselors, Inc., and INCO General Agency, Inc., headquartered in Austin, Tex.

At Financial Counselors, Reuben Lambert Jr., James R. England and Charles S. Hunt Jr. were elected vice presidents. Mr. Lambert is a regional supervisor of field operations and works out of the home office. Mr. England is located at the Irving, Tex., regional office and Mr. Hunt is regional manager at the Kansas City office and is in charge of field operations for Kansas, Missouri and the surrounding area.

At INCO General Agency, Jack Fritts was named vice president in charge of insurance operations and Gerald Mayeaux was elected assistant vice president. Mrs. Mamie Evans is assistant secretary of both Financial Counselors and INCO.

The firms recently held an open house in their new quarters in Austin.

• **John H. Harland Co.** "Prestige Checks" now are being marketed by John H. Harland Co., Atlanta. Selling for about $50 an order, these steel dye engraved checks are designed for the person who has everything.



"What makes 'Prestige Checks' superior and more expensive than a comparable order of ordinary checks is the painstaking method by which they are produced," explained H. Grady Wilson, vice president in charge of sales.

He continued, "They are not mass-produced documents. Instead, each check is individually and carefully engraved with a hand-tooled steel dye that becomes the property of the customer and also may be reused for engraving letterheads and other stationery items."

• **Computer Wares, Inc.** Two new packages in the CATS (Computerwares Automated Total System) family of systems have been announced by Computer Wares, Inc., Birmingham, Ala.

CATS A/R is one package and is designed to operate in a multi-client, multi-location data center environment. CATS A/R has four modules for billing-invoicing, inventory accounting, accounts receivables and automatic cash application.

The accounts-payable package, or CATS A/P, provides an automated system for performing all accounts-payable functions, including invoice processing, cash requirements listings, check writing and accounting control.

• **Lenders Insured Services Corp.** Reuben Lambert Jr. has been elected senior vice president in charge of all field operations of Lenders Insured Services Corp., Stockton, Calif. The firm specializes in mobile home and recreational vehicle financing and insurance in California, Washington and Oregon.

Mr. Lambert is a vice president of Financial Counselors, Inc., Austin, Tex., and is a past president of Cove State, Copperas Cove, Tex. Financial Counselors is a bank service company specializing in mobile home financing and insurance, operating in 16 states in the Mid-South.

• **National Fidelity Life.** Don Ohl has joined National Fidelity Life, headquartered in Kansas City, as a credit life field representative. He works in the company's St. Louis region, which includes southern Illinois and eastern Missouri.

Mr. Ohl is a graduate of the University of Illinois and played professional basketball for 10 years.

• **Mobile Americana Corp.** Two new directors have been elected by Mobile Americana Corp., Minneapolis. They are Robert T. Wienert, vice president in charge of the indemnity division, and John E. Easton, vice president-finance and treasurer.

The firm also changed its corporate name to MoAmCo Corp. According to F. Paul Hargarten, president, the change was made to avoid possible conflict with firms with similar names.

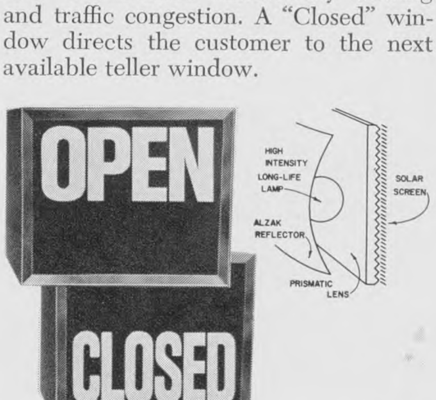
WIENERT

EASTON

• **Meilink Bank Equipment.** The Sentinel visual drive-up system, manufactured by Meilink Bank Equipment, Toledo, O., is now available in bronze. The firm also announced that the outdoor customer stations can be made in any color with a specially formulated paint bonded to the base metal of unpolished stainless steel.

• **Electronic Traffic Control, Inc.** A new drive-in, window-designating sign is now available from Electronic Traffic Control, Inc., Elk Grove, Ill. The double-message sign shows "Open" at the upper half and "Closed" in the lower section.

By pressing a button, the bank teller directs the driver to her "Open" window to eliminate unnecessary waiting and traffic congestion. A "Closed" window directs the customer to the next available teller window.



Bank Security

Banks Should Show Collection Tellers How to Avoid Losses on Incoming Items

The following article appeared in the January, 1972, issue of the Loss Protection Bulletin published by the Bank Share Owners Advisory League of Chicago.

IN A SMALL southern city, a man walked up to the collection teller's window of one of the city's two banks. He introduced himself and asked the teller if there were any drafts for him. The teller obligingly scanned her alphabetically arranged files and advised the man there was a draft for him drawn by a northern manufacturing firm in the amount of $41,236.14. Did he want to pay for it now and pick it up? No, he wanted to pay for it later in the day and pick it up then, but could he see it now and take down some notes on it?

The collection teller, never suspecting anything amiss, agreeably handed the man the envelope draft. He, in turn, moved to one side of her window, ostensibly to let another customer have his place temporarily while he examined the draft. While the teller waited on the next customer, the man carefully slit open the end of the envelope draft and removed the bill of lading. He quickly substituted a blank sheet of paper for the removed bill of lading, taped the end of the draft with transparent tape and then passed the draft over the counter to the unsuspecting teller, who merely refiled it among her other incoming collection items in alphabetical order.

Two days later, when the teller's tickler file turned up the draft as an "old" item, the removal of the bill of lading was discovered, but the man on whom the draft was drawn could not be located. He had sold the machinery covered by the bill of lading and had departed from the city.

The ultimate loss to the bank? $41,236.14!

In another instance, in another bank, the collection teller was approached by one of her well-known customers, who had a draft in the incoming collection items, and she was asked if he might take the draft to his office to "work up" the warehouse receipts that were enclosed. He promised to bring her a check in payment of the draft.

Since the customer was well known to her, the teller unsuspectingly permitted the customer to take the draft—with its enclosures—from the bank without his having paid for it, thinking he would soon bring her a check to cover the amount of it. Unfortunately, the customer was operating his business on very limited capital. He sold the commodities represented by the warehouse receipts; the proceeds were applied against an overdraft at the bank, and the bank ultimately incurred a loss in excess of $10,000.

If there is a lesson to be learned by the recounting of these two occurrences, it could be summed up as follows:

Releasing of documents enclosed within, or attached to, an incoming draft for collection—*before payment is received from the bank's customer* on whom the draft is drawn—is very dangerous! The bank can be held liable for payment of the draft and thereby incur a loss to the extent of the amount of the draft.

Perhaps, it should be mentioned here that incoming collection item *forms* should be sequentially prenumbered in order to provide for quick and easy identification of, and for the purpose of control over, collection items. Usually—particularly in smaller banks—development of the prenumbered collection forms themselves constitutes the main ingredient for the accounting and audit control over the collection department.

In most smaller banks, incoming collections are not controlled by general ledger accounts, but the bank acts only as agent for its customers on whom the incoming collection items (usually drafts) are drawn. Therefore, the system of sequentially prenumbered incoming collection forms constitutes the basic audit control over these items.

In conclusion, while audit control over incoming collection items is of vital importance, unfortunately the discovery of any mishandling is often "after the fact" and may, therefore, be too late to prevent a loss to the bank.

Consequently, the collection teller should be thoroughly indoctrinated with the necessity of observing the following two rules:

First, never release an incoming draft or its contents before it is paid for.

Second, never let an uncalled-for draft become "stale" before returning it to its originating bank. Each incoming collection item requires individual handling and is subject to the instructions—from its originating bank—pertaining to the length of time that the draft may be held before either payment therefor must be effected, or it must be returned to its point of origin.

Agreements

(Continued from page 8)

bank purchasers can and do avoid the Federal Reserve Board restriction by simply dropping the repurchase agreement *clause.*

Conclusion: Some of our top bank supervisors lately have been expressing concern on the quality of loan portfolios of some of our nation's largest banks.

It is too early for the lay public or country bankers to know for sure whether these large banks or their holding companies had sold extensive participation in their loans to nonbanks. These loans now have been or may be rated sub-standard by the supervisors. What could such practices do to the relationships of those banks with their country correspondents and nonbank buyers? Time will tell! • •

Jonathan T. Walton Promoted At National Bank of Detroit

DETROIT—Jonathan T. Walton, senior vice president, National Bank of Detroit, has been appointed officer in charge of the U. S. division. The division had been headed by Charles T. Fisher II, executive vice president, who recently was elected president.

WALTON

Mr. Walton joined the bank in 1956 as a credit analyst trainee and was elected a vice president in 1964. He has been responsible for the eastern district of the national division since 1967 and for the activities of the former New England-Mid-South district since 1970.

Some Officers and Directors Play a Little

That's fine . . . as long as you don't come across that rare individual who'd rather fiddle around than tend to business.

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MID-CONTINENT BANKER

NEWS ROUNDUP

News From Around the Nation

PEOPLE

• WILLIAM B. CAMP has begun his second term as Comptroller of the Currency, following a last-minute nomination by President Nixon. Mr. Camp is said to have received a strong endorsement from fellow-Texan John Connally, secretary of the Treasury.

Mr. Camp's term will run five years. He is the sixth Comptroller to be reappointed for a second term in the 109-year-history of the office, but the first to be named by presidents of opposite political parties.

CAMP

CLAUSEN

• A. W. CLAUSEN, president, Bank of America, San Francisco, has been elected president of the Federal Advisory Council of the Fed for 1972. Elected vice president was G. MORRIS DORRANCE JR., chairman and president, Philadelphia National.

Elected directors were JOHN S. FANGBONER, chairman, National City Bank, Cleveland; HARRY HOOD BASSETT, chairman, First National, Miami; and GAYLORD FREEMAN, chairman, First National, Chicago.

Re-elected secretary and assistant secretary were HERBERT V. PROCHNOW, retired president, and WILLIAM J. KORSVIK, vice president, both of First of Chicago.

• DR. ROY L. REIERSON has joined Crocker International Bank, New York, Edge Act subsidiary of Crocker National, San Francisco, as consultant to national and international customers. Mr. Reierson is a retired senior vice president of Bankers Trust, New York, where he was chief economist and chairman of the advisory committee.

Interest-Rate Situation 'Extremely Rare'

Long-term interest rates are expected to drop even though short-term rates are likely to rise, according to testimony by Fed Chairman Arthur F. Burns before the Joint Economic Committee. Although the situation is "extremely rare," according to Mr. Burns, it is possible because of the unusual situation prevailing in the economy.

Extraordinary demand by corporations for long-term funds to meet liquidity requirements now seems to be satisfied, Mr. Burns said, which is one reason for long-term rates to decline. The increase in short-term rates is expected to result from an anticipated spurt in the economy in 1972, Mr. Burns said.

No Class Action for Chemical Bank

A federal district court judge has ruled that a suit brought against Chemical Bank, New York City, by a former law student could not proceed as a class action. The judge had ruled last year that the bank had violated the truth-in-lending law by failing to disclose the "nominal annual percentage rate" or finance charge on Master Charge statements to customers. The fine at that time was $100.

If the suit had been permitted to proceed as a class action, the bank could have been made to pay out more than $13 million in fines.

The plaintiff is considering appealing the ruling.

Rural Development Credit Sharing Axed

President Nixon's proposals for a new federal-state credit sharing program for rural development and for rural development revenue sharing have been turned down by the House Agriculture Committee.

The committee refused to accept the President's proposals as amendments to a bill of its own that would give the FHA authority to finance rural industrial, commercial and community developments.

The President's proposals would have provided $1.3 billion annually for rural development credit. Most of the total would have been in loans which would have been made by private lenders and guaranteed by the federal government; the rest would have been in loans, such as those the FHA now makes, insures and sells to investors.

Banks Act to Dismiss Merger Complaint

Wells Fargo and First Western banks have filed in U. S. District Court in San Francisco in answer to the complaint of the Justice Department in its action to block the proposed merger of the two banks.

The banks denied that the merger would have anti-competitive effects and they asserted that they had less than a 4% share of the southern California bank market, which includes at least 152 banks.

The banks claim the merger would be in the public interest and would meet the convenience and needs of the communities to be served.

Loans Will Help Minority Contractors

First National Bank of Commerce, New Orleans, has agreed to participate in a quarter-million dollar loan program for minority contractors in the New Orleans area. The program's purpose is to increase the participation of minority contractors in the building and construction industry.

Volatile Interest-Rate Setting Challenges Bond Market

By HENRY KAUFMAN

Partner and Economist
Salomon Brothers
New York City

WHAT IS THE challenge ahead of us in terms of the current interest rate setting? As a result of the rally since the start of the New Economic Program in which short rates fell more than long-term interest rates, we now have a steep and positively sloped yield curve. The yield differential between three-month and the longest Government is a positive 257 basis points, a near record. For corporate bonds, this differential for the same maturities is a positive 352 basis points, also a near record.

If the economic recovery continues, the challenge to the sustainability of the recovery will be in the movement of short and long rates. Can we have rising short-term rates, reflecting the traditional demands on the credit market at this phase of the recovery, without inflicting a setback on the long-term credit markets? I feel that this is only possible when our government has put a bear hug on inflation. Unfortunately, there is now no bear hug. Consequently, any meaningful increase in short-term rates will disturb the long-term market.

What does this volatile setting suggest for the major sectors of the bond markets? For the corporate bond market, it is highly likely that a large part of the total offerings will come to market in the first half of the year as corporations press to continue to improve their liquidity. This is because the government by its actions is actually abetting liquidity fears rather than calming them. Thus, the yield on high-grade utility bonds may well flare up, at least temporarily, to within the 7¾-8% range this year.

Within the corporate bond market itself, utility bond offerings should remain large but new high-grade non-utility bond issues should moderate in volume eventually. As a result, the yield spread between high-grade utility bonds and high-grade industrial issues should widen in favor of utility issues; public corporate bond offerings should decline; and private placement volume should increase slightly as medium-rated corporations with still unsatisfied funding requirements tap the improved availability of funds in early 1972.

This improved credit availability of funds for medium-rated corporations is discernible presently in at least three ways.

First, the yield spread between high-grade and medium-grade industrial bond issues is now only about 35 basis points, as compared with about 300 basis points in July, 1970, when the credit crisis was in full bloom.

Secondly, the yield spread between publicly and privately placed bonds has narrowed to about 25 basis points, down from as much as 125 basis points in favor of privately placed issues earlier in 1970. Both of these yield spreads are unlikely to remain as narrow as they are at present for any length of time.

Third, the convertible bond market is offering exceedingly attractive terms to borrowers, especially to medium-rated issuers. The new issue yield on large convertible issues is below 5%. In addition, investors are willing to accept convertible issues with conversion terms substantially above the going market price of the common stock.

At first glance, a good case can be made that corporate bonds are, on balance, in an improved technical position over intermediate and long Governments. On the one hand, the net new volume of corporate bonds should decline in 1972 by about $5 billion from the near record volume of 1971. On the other, intermediate and long Government financing should accelerate in light of the huge budget deficit and the declining average maturity of the marketable debt. Thus, it would seem that the yield spread between high-grade corporate bonds and long Governments should continue to narrow. This spread was as high as 210 basis points in 1971 and at the close of January, 1972, was 139 basis points.

There is, however, an imponderable

Mr. Kaufman's remarks are from a speech delivered last month before the ABA's 53rd midwinter trust conference in New York City.

consideration that may provide considerable strength to intermediate and long Governments sometime this year. It involves the outcome of the international monetary situation. If a meaningful international monetary agreement should be attained this year, the agreement may well include a funding of part of the short-dated Governments held by the foreign central banks. Even if this funding does not involve the takedown of marketable intermediate and long issues but instead non-marketable obligations, it would still provide considerable technical strength to the Government coupon market. In contrast, new weaknesses in the dollar would probably result in some additional purchases of short-term Governments by foreign central banks, but continued massive purchases all year long seem highly unlikely.

In the municipal bond market, continued substantial price volatility should also be a dominant feature. While the volume of new municipal offerings should moderate somewhat from the record pace of 1971, the task of inducing commercial banks to continue to be massive buyers of tax-exempts should be more difficult. As noted earlier, the banks will be massive buyers of intermediate and longer-dated issues only after loan demand and economic activity clearly fall short of expectations. In the meantime, the reliance on short-term financing should continue, but not at the record pace of 1971. It should also be noted that the market for municipal securities will continue to shift. In the 1960s, the large buyers of tax-exempts were the money-market banks. Now they are mainly the regional and local banks.

Another distinguishing feature of the 1972 credit market will be the more intensive management of bond portfolios. The dramatic improvement in bond prices during 1970 and 1971 brought into sharp focus the contribution of bonds to total investment performance. For these two years, the total return, the net change in market price between the start and end of the year, plus interest payments, averaged 17% annually for new-issue utility bonds. With rising bond yields immediately ahead, new bond investment opportunities seem to be in the offing again. Moreover, the increasing depth and diversity of the secondary market will provide flexible portfolio managers with many switching opportunities to enhance performance.

This is a year in which we must clearly differentiate between political intent and economic fulfillment. The intent is to move the economy vigorously ahead, which is a noble and worthwhile national objective in any year. To achieve this objective, the Administration has embarked on a liberal fiscal policy. At the same time, thus far, Phase II of the New Economic Program appears to have been ineffective in arresting inflation. Consequently, the Federal Reserve will again have to be the policy arm that will try to control inflation. The Fed's emerging battle against inflation may incorporate two approaches. One is to let markets tighten again. The other is to intervene through the selective allocation of funds or other specific measures initiated by the Fed or the Committee on Interest and Dividends.

The current stabilization posture will also encourage private borrowers to show a continued high preference for liquidity. This is because only through vigorous anti-inflation policies will the government demonstrate that there is no need for large permanent liquidity preferences. The failure to institute such policies as the federal budget turns exceedingly expansionary will prompt private credit demanders to persist with financing long-term a large part of their needs.

Therefore, the imperfections in the emerging stabilization policy mix will contribute to substantial volatility in the bond market and set off sufficient countervailing forces in the credit markets and the economy to create a substantial gap between intent and fulfillment. That gap can only be closed by tough anti-inflationary measures. • •

Short-Term Rates Up?

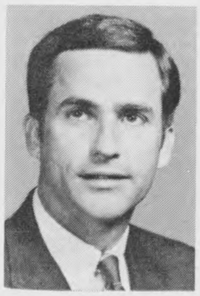
CHICAGO—An escalation in short-term interest rates is a probable development in the months ahead, says First National of Chicago's *Bond and Money Market Review* for January.

The *Review* points to "the mild rebounds in yields in three-month Treasury bills from 3.16% in the second week of January to near 3.5% during the latter half of January" as a likely early stage of such a trend.

All three prior post-recessionary periods indicate that the recent decline in rates has about run its course, the *Review* says. With the amount of fiscal stimulation indicated by the federal budget for the remainder of 1972 and the probable course of monetary policy during the same period, the *Review* states that the fairly optimistic consensus forecast of a 6% growth in total output this year is a reasonable and likely outcome.

The *Review* also comments that "a large part of the rise in rates during the March-July period of last year appears quite strongly to have resulted from a combination of unwarranted assumptions about the underlying economic situation and the international monetary disturbances," and that the yield decline since last August, while unusual for this stage of the business recovery, "can be viewed as returning rates to levels which are more consistent with economic conditions."

First City National, Houston, Reports Promotions, Earnings



ROBERTSON

HOLLINGSWORTH

HOUSTON—One senior vice president and three vice presidents were named recently by First City National. Six new officers were also named.

R. R. Robertson Jr. was elevated from vice president to senior vice president. New vice presidents are Grant Hollingsworth, Yale Smith Jr. and John P. O'Hare. All were formerly assistant vice presidents and Mr. Hollingsworth is with the correspondent banking department.

Mr. Robertson joined the bank in 1960 and Mr. Hollingsworth and Mr. Smith in 1969.

New officers include Richard L. Ripley and Gary E. Stamper to assistant vice presidents and Charles S. Rawls, Forest A. Goodell, Jerome E. Hatfield and John A. Parr to assistant cashiers.

• *Earnings.* First City Bancorp. has reported a net income of $12 million, or $2.82 per share for 1971, a 6% increase over 1970 figures. Total assets stand at $1.9 billion.

First 'MESBIC' License

Jim Wiley (l.), v.p., and Dow Ostlund (2nd from r.), exec. v.p., both of Valley National of Arizona, Phoenix, observe presentation of nation's first Mexican-American-owned minority enterprise small business investment corporation and Arizona's first "MESBIC" license to Henry Santiestevan, pres., MESBIC LaRaza Investment Corp. by Arthur H. Singer (r.), SBA associate administrator. Valley Bank helped establish the local MESBIC with financial and management assistance.

INVESTMENTS

PORTFOLIO MANAGEMENT

By ROBERT C. BROWN

Vice President
First National, Chicago

The author is in a unique position to give advice on municipals. Late in 1971, First of Chicago's municipal portfolio was composed of $797 million in bonds having an average life of 8.6 years and an average quality better than "A-1." Average coupon was 4.50% and average net yield was 4.71%. The portfolio was valued at $25 million over book value.

SHOULD YOU be investing in municipal bonds? Obviously, this is a function of your current federal income tax situation. The yield on municipals is attractive if you are paying taxes at the maximum corporate rate.

BROWN

But several of our correspondent friends have recently been caught in the cross-fire between rising costs and declining deposits, and when these pressures dropped them out of the 48% bracket, they found their municipal bonds were not attractive. This is not just a small-bank problem. At least one of the big banks in New York discovered that tax credits resulting from its international operations and from the depreciation allowances in its leasing subsidiary have changed its federal income tax situation to the point where municipals are no longer worthwhile.

If you have determined that the tax man is going to share in your profits for some years to come, then you can profitably use municipals as an investment medium.

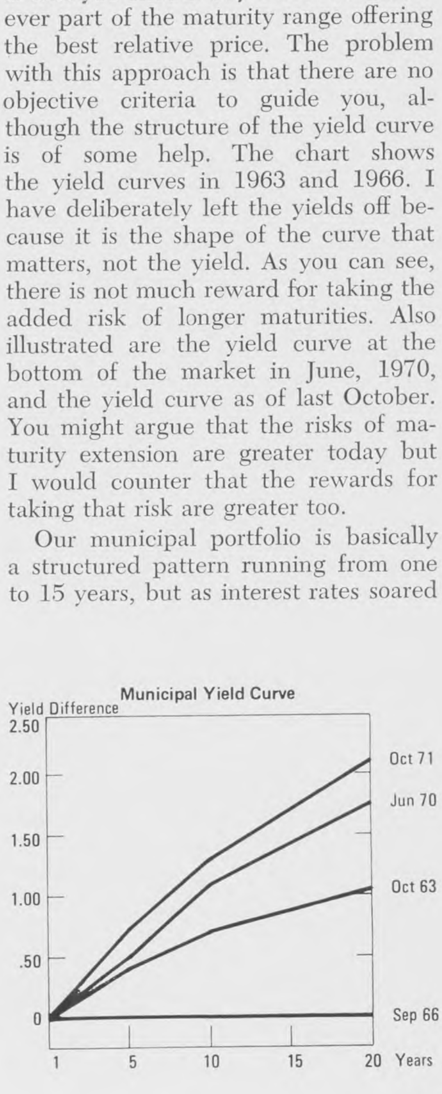
Municipals, of course, come in serial maturities, and while it's nice to have so much choice, it is sometimes difficult to know which maturities to buy. One school of thought holds that the portfolio should be comprised of short, liquid, low yielding bonds, with long-term high-yielding bonds and no maturities in between. This is called the "dumbbell theory" because of the shape the portfolio holdings describe. My personal opinion is that the theory was named after the man who invented it.

A second approach uses the structured portfolio with a ladder of maturities having bonds due in each year. In this approach, the portfolio manager always buys the tail-end year of his maturity ladder, either the fifth or the 10th or whatever. If he buys the same number of bonds every year, his portfolio will always have the same average life.

Under a third method, the portfolio manager does not select maturity for its own value. He buys bonds with a particular yield requirement in mind—usually the yield required to offset the cost of savings—and he moves as far out into time as necessary to get the yield he wants.

We belong to what I call the "best relative value" school, which is a variation on the structured-maturity pattern. The thought behind this approach is that you should buy bonds in whichever part of the maturity range offering the best relative price. The problem with this approach is that there are no objective criteria to guide you, although the structure of the yield curve is of some help. The chart shows the yield curves in 1963 and 1966. I have deliberately left the yields off because it is the shape of the curve that matters, not the yield. As you can see, there is not much reward for taking the added risk of longer maturities. Also illustrated are the yield curve at the bottom of the market in June, 1970, and the yield curve as of last October. You might argue that the risks of maturity extension are greater today but I would counter that the rewards for taking that risk are greater too.

Our municipal portfolio is basically a structured pattern running from one to 15 years, but as interest rates soared



and the yield curves steepened, we extended our purchases out as far as 20 years. We still like to have bonds coming due every year, and we like to stay fairly close to an even ladder of maturities, but we find that we can look for the best relative values without violating those guidelines.

The next important question in managing the portfolio is: What kind of quality should I buy? On this point I find that many banks are inconsistent in the application of credit standards to the loan and bond portfolios. Many bankers are prepared to take some reasonable risk in the loan account, but they expect the bond account to be composed of only the best credits. I know this must be true, because most banks write off a few loans now and then, but they haven't had a municipal bond in trouble since the early '30s. Certainly nothing destroys the performance of the portfolio like the default in principal, but there are many gradations of quality between the highest-grade municipals and those few that represent some risk of default.

A Worrisome Problem

I do not mean to minimize the deterioration of municipal credit which has taken place since World War II. This is a worrisome problem. But municipal credit analysis is really no different from the analysis of any other borrower. If you devote the time and energy to it, you can find many bonds rated less than prime that offer significantly more yield with no loss of safety or security.

As examples of these I would cite bonds of local school districts covering good farm areas in the middle west. These bonds are often not rated at all. Another example would be Michigan school bonds, which the rating services continue to rate on the strength of the local economy, giving no value to the state school bond fund or revenue bonds secured by earnings of the utility system of a prosperous middle-sized city—usually rated only "A."

The final factor in portfolio management is an item called marketability, or if you prefer, liquidity. All municipal bonds are marketable—at a price. What we are talking about here is a measure of the ease of marketability at minimum cost. Usually, the higher the quality of the bond and the shorter its maturity, the greater its marketability. Unfortunately, the most marketable bonds are usually the ones that yield the least—giving the portfolio manager a dilemma.

In one sense, the whole art and science of portfolio management is the attempt to find the right balancing point: the right degree of trade-off between these conflicting goals of maximum yield and maximum liquidity. There is a school of thought that says liquidity should not be a constraint in the bond account, it can be purchased on the liability side of the balance sheet through the various forms of purchased money—CDs, Fed funds, and so forth. There is a great deal of contention about that point of view, but it does underscore the fact that managing the bond portfolio is part of the overall problem of asset *and* liability management, and it cannot be considered in a vacuum.

Municipal Swapping

If you do buy bonds with liquidity as a consideration, it is fair to ask if you have ever used what you paid for. In other words, do you ever sell bonds out of your portfolio or do you hold everything to maturity? Trading the municipal portfolio isn't quite as easy as trading the government bond account, but it can be done profitably. The profits in municipal swapping, however, will rarely show up below the line. While there may sometimes be good reason for swapping municipals to capture a gain, the tax mathematics of the transaction work to your disadvantage.

A bond with a large coupon might be saleable at a profit, but if you take the profit, you pay a tax and you have nothing as attractive available for reinvestment. Since the coupon on municipals is tax exempt, and any gain resulting from their sale is taxed at 48%, taking a gain on municipals has the effect of translating tax-free income into taxable income. In some cases it does make sense to sell bonds that are carried at a gain, but usually it is more profitable, in the municipal account, to take losses.

In spite of the Tax Reform Act of 1969, there is still an advantage to tax-loss trading. That advantage accrues because, by taking a capital loss, you exchange a tax liability in the future for a tax credit today. If a bond declines in value because interest rates move higher, you have an investment yielding an inadequate rate of return. Using this brief example, suppose you swapped this bond—that is, sold it and bought something back of identical quality, coupon and price—and in so doing, you incurred a loss of $10. You would reduce your tax liability by approximately half the loss. The remainder of the loss is charged against income, but it represents no out-of-pocket loss since you only exchanged bonds and no dollars left the bank. The tax saving, however, represents a cash inflow in that these are dollars you no longer have to pay to the IRS.

Entries Reversed

When the new bonds you have acquired mature—at some future date—all the accounting entries are reversed. Now you have a capital gain and the resultant tax liability comes home to roost. But what have you accomplished? Since you swapped for virtually identical bonds, you have had no cash loss and your coupon income was unchanged. You have had the use of the tax-saving dollars for this period of time at no cost, and it is the investment of this tax saving which makes the program attractive.

The offset to current capital losses in the municipal account, then, is to be found in future increases in tax-exempt income and in maturing capital gains built into the bonds acquired on tax-loss swaps. In a program we undertook in 1970, we created losses of $16 million, which effected a tax savings of almost $8 million, leaving us a net loss of $8¼ million. As a direct result of these transactions, we will increase our tax exempt interest over the next eight years by almost six million dollars and receive after-tax gains at maturity of $7,800,000, so that the advantage to the bank over this period is in excess of $5.5 million. • •

Model Bond Laws Available

Model municipal bond laws are the subjects of two booklets available from the National Municipal League, a citizens' governmental advisory organization.

The model laws, covering general obligation and revenue bonds, are designed to be administered on a regional, as well as on a single jurisdictional, basis by the joint cooperation of both public agencies and private business.

A league spokesman said the model laws afford a means of reducing the confusing multiplicity of local borrowing legislation that still exists in some states and provides models for modernizing procedures in states with old or defective bond laws not adequately protecting municipal credit. He also said the laws provide greater authority for "joint undertakings with public or private agencies."

The National Municipal League was founded in 1894 by Theodore Roosevelt, Louis Brandeis and other civic leaders.

Copies of the booklets—"Model Municipal General Obligation Bond Law" and "Model Municipal Revenue Bond Law"—are available at $1.50 each from the National Municipal League, 47 East 68th Street, New York, N. Y. 10021.

Industrial Revenue Bond Financing Plays Major Role in Plant Funding

By BYRON SPEED

President
Speed-Thorn-McMullan, Inc.
Jackson, Miss.

Editor's note: Although the accompanying article is based on conditions in one southern state—Mississippi—the situation is similar in most other states.

INDUSTRIAL revenue bonds have helped industrialize the Southern states.

The state of Mississippi, for instance, under the 1944 Balance Agriculture With Industry law, has issued more than $173 million in general obligation bonds to political subdivisions. Under the industrial revenue laws of 1960, the various political subdivisions have issued more than $152 million in bonds. While both general obligation industrial bonds and industrial revenue bonds are payable from industrial rents under lease contracts, there is some difference in the two types of bonds.

SPEED

Under the original 1944 statute, political subdivisions in Mississippi could issue only general obligation industrial bonds, the proceeds of which could be used only for purchasing land, erecting plants and/or equipping plants with heating and air conditioning, etc. Subsequently it was determined that numerous issues of general obligation industrial bonds had practically reached the legal limitation for that type of bond.

In 1960 a statute was enacted that allowed political entities to issue industrial revenue bonds. Proceeds of these bonds could be used for not only the same purposes set forth in the 1944 statute, but also to purchase the machinery and equipment needed by the industry.

Before any industrial bonds—general obligation or revenue—can be issued, the political subdivision must present various data to the Mississippi Agricultural and Industrial Board (MA&IB) and secure a certificate permitting an election (in the case of general obligation bonds) to be called. Thereafter, all contracts must be approved by MA&IB, which also must approve the final bond issue.

In the case of industrial revenue bonds, a certificate must also be obtained, at which time MA&IB must approve the contract between lessor and lessee and must have an actual bid from an underwriter for purchase of the bonds or a letter of intent from the underwriter to purchase the bonds at a rate of interest not to exceed the 8% legal limit. In the case of industrial revenue bonds, the proceeds of which are to be used solely for purchase of machinery and/or equipment, the MA&IB limits the maturity to from 10 to 12 years.

Approximately $327 million in general obligation industrial and industrial revenue bonds have been issued since 1944. The amount of industrial revenue bonds issued under the 1960 statute is rapidly approaching, in dollar amount, the number of general obligation industrial bonds issued under the 1944 law.

Most industrial revenue bonds have been issued for industries that originally began business in the state by virtue of plants constructed from proceeds of general obligation industrial bonds.

Some years ago a study was made to determine the dollar amount of industrial construction in Mississippi. At that time it developed that the amount of industrial bonds—general obligation and revenue—approximated only 22% of the total amount spent in the state for industrial purposes, the rest having been financed by the industries themselves. Thus, it can easily be seen what industrial bonds have meant to Mississippi.

There are no figures to show the number of industrial jobs created by the issue of industrial revenue bonds or to show the annual payroll of said jobs. Industry, in general, has, over the past 10 years, availed itself of the opportunity to expand or to improve plant and equipment by means of the revenue bond statute rather than attempt to obtain financing by the general obligation route.

In several instances, large corporations have erected plants and bought machinery and equipment through proceeds of strictly industrial revenue bonds. In most of these cases, the bond issues are only a few years old.

There is at least one instance, however, where a firm opening a plant in Mississippi originally took the general obligation industrial bond route to finance construction. Subsequently, however, it has taken the industrial revenue bond route in an amount more than six-and-one-half times the original amount of the general obligation bonds, having expanded five separate times. This particular industry, located in one of the most progressive and fastest growing municipalities in the state, has contributed much to the prosperity of the municipality. Initial employment was 135; now it stands at 750.

Security for industrial revenue bonds is a first mortgage on all assets of the company, plus its buildings and equipment. In many instances the underwriter places a floor on working capital and a ceiling on long-term debt. To further safeguard these bonds, a trusteeship is often formed to keep a tighter check on the company and see that it lives up to the provisions of its contract.

There are adequate safeguards to make industrial revenue bonds safe investments for banks and individuals. Use of this type of bond will enable investors to receive from 1% to 1½% more in yields than would be possible were the investment in general obligation bonds. • •

Operations Management Course To Be Held April 25 by BAI

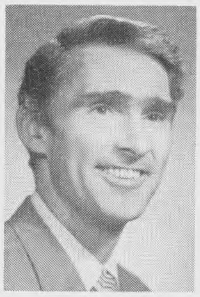
Bank Administration Institute will sponsor a short course in bank operations management at the University of Oklahoma, Norman, on April 25-28. The course is geared to the needs of banks with resources under $50 million.

Topics to be discussed include: management and organization; personnel administration and supervision; management reporting; internal control and security; facilities planning; and purchasing and insurance.

Speakers will be: F. David Brangaccio, senior consultant, Lester B. Knight & Associates, Inc., Chicago; Ronald Korn, partner, Peat, Marwick, Mitchell & Co., White Plains, N. Y.; and Robert Koslow, executive vice president and cashier, Peoples Bank of Western Pennsylvania, New Castle.

Carey Promoted to Vice Pres. At National Bank of Tulsa

TULSA—National Bank of Tulsa promoted Francis J. P. Carey from trust officer to vice president and trust officer. He joined the bank in 1970 as trust administrator and previously was with First National, Albuquerque.



CAREY

Ronald P. Trout, former trust officer, was named assistant vice president and trust officer. He came to the bank in 1970. James R. Dodd was named a trust officer. Formerly an assistant trust officer, he joined the bank in 1968.

Other promotions at the bank included: Walter E. Isaacs, Herbert E. Merkle, Mrs. Betty Shaull and Gary Dobson, assistant vice presidents; Wesley N. Brookover, Harvey R. Fifer Jr., Tom Sanford and Ronald C. Peeler, assistant cashiers; James A. Bredenger, Andrew W. Brice and Jerry S. Ray, assistant trust officers; and Robert D. Pearson and Miss Sherry Smith, assistant auditors.

Mercantile Trust, St. Louis, Elects Winter Senior VP

ST. LOUIS—Mercantile Trust has elected Albert W. Winter a senior vice president. He has been with the bank since 1938 and was elected a vice president in 1959. Since 1970, he has been in charge of the investment policy committee and also is senior investment officer for the trust department.

WINTER

Other promotions included: Francis W. Jutz Jr., trust officer; Lloyd J. Martin Jr., assistant trust officer; and Dennis E. Bielke, assistant investment officer.

United Mo. Reports Earnings

KANSAS CITY—Net income for United Missouri Bancshares, Inc., in 1971 came to $5.5 million, or $4.25 per share, compared to 1970 figures of $5.2 million, or $3.97 per share. Total assets as of December 31 were $630 million, compared with $506 million in 1970.

■ NEW YORK—First National City Corp. has appointed Frank E. Barnett, chairman of Union Pacific Corp., as a director.

Bank Sets Up Investment Policy Committee Made Up of Five Non-Bankers

AN INVESTMENT policy committee has been set up by River Oaks Bank, Houston. Its purpose, according to E. Dean Kanaly, vice chairman and chief executive officer, is to add a new dimension to the bank's investment decision making as it oversees portfolios of its trust and investment clients.

The five men making up the committee include an investment banker, an oil firm executive, a consulting economist, a realtor and an industrial consultant.

"From now on," said Mr. Kanaly, "we'll have three levels of thought in investment management. The new committee will lay down basic guidelines concerning overall investment policies—percentages of funds to be kept liquid versus those to be in fixed assets; forms of investments in terms of long- and short-term commitment; and even the kinds of industries that look promising at a particular time . . . as well as the strategic timing of shifts in these various areas.

"These guidelines will be passed on to our trust investment committee, made up of our senior officers. This group reviews and implements both the policies set down by the policy committee and specific portfolio actions recommended by our investment account staff, which is the third level of investment thought and which also is armed with daily and periodic technical investment data."

Mr. Kanaly believes the new investment policy committee members provide unusual depth and breadth of experience and knowledge, pointing to their specific backgrounds: real estate, securities, engineering and construction, manufacturing, petroleum production and marketing, pipelines, petrochemicals and general business economics.

"Each member is accustomed to successfully deploying immense amounts of funds in his respective area of specialization," said Mr. Kanaly. "Each trust and investment portfolio handled by River Oaks Bank will benefit both from this reservoir of specialized experience and from the balanced makeup of the committee."

Mr. Kanaly meets with the policy committee in its regular sessions and acts as liaison between the committee and the bank's trust investment committee. • •

New Trends Demand Farsightedness On Part of Investors in Municipals

By GLENN R. SCHULTZ

Vice President
Stephens, Inc.
Little Rock, Ark.

THIS WILL PROVE to be a most interesting year for both buyers and sellers of municipal bonds. It will be an interesting market year, but it will also be a year of change in the structure of the business as it has been conducted in the past. As in all periods of change, 1972 will offer excellent opportunities for profit for those who are farsighted enough to follow the new trends.

Briefly, let's look at the market, then we'll discuss some of the new trends.

To use a much overworked cliche, 1972 is a political year and political considerations will prevail. The objectives are to have a burgeoning economy with as little inflation and as little unemployment as possible by November.

To determine what will be done for the rest of the year, an analysis of what has been accomplished thus far is in order. When looked at objectively, progress has been made but it has been slow. The economy has not shown the zip that was hoped for; it has improved, but in an unspectacular fashion. The Federal Reserve has set a 6% growth rate objective for the money supply for the first quarter of 1972. January was disappointing, as the rate of growth was only 3%. February figures will be more on target. However, these Fed actions have—along with two other contributing factors—led to an unusually short rate and consequently a historically large spread between short- and long-term rates.

The other two factors are:

(1) The extremely liquid cash position in which most corporations find themselves. They not only are refraining from borrowing from banks, but are investing surplus funds in the short-term market. As business continues to improve—hopefully at a quicker pace—these funds will be withdrawn to meet increased business demands.

(2) Many medium- and long-term investors are keeping their commitments short in anticipation of higher medium- and long-term rates later. As more of these investors analyze their positions, however, they will see that they will have to reinvest at extraordinarily high rates of return to make up for the income they are losing by not investing in the long-term market now. As this becomes more apparent, it is anticipated that more money will be withdrawn from the short-term market and reinvested in the medium- and long-term area.

The net effect of corporate and ordinarily medium- and long-term investors pulling out of the short market will tend to move short-term rates up. Short-term rates are one of the factors the Fed will be watching as a clue to the direction and speed of the economy. Once it is firmly established that such rates are indeed moving up, the extraordinary actions that the Fed has been following in recent months should abate somewhat. It is my feeling that if it were not for the overriding desire to get the economy moving again, the Fed would rather see short-term rates higher.

Reinforcing these trends toward higher short-term rates is the question of if and when foreign holders of short-term obligations (some $50 billion worth at year-end) will liquidate them. Sooner or later, some substantial portion of these holdings will have to be refinanced in the domestic market. Also, what deficit there is in government spending will have to be accommodated, again in the domestic market. I do not believe the deficit for the current fiscal year will be in the magnitude of current predictions, so this situation may not have quite the effect that is expected in other quarters.

In summary, I believe the outlook for short-term rates will be definitely higher as the year wears on.

Long-term rates are, however, another question. A rise in short-term rates does not necessarily mean that long-term rates will move in concert. I feel that the present large spread between these rates will be narrowed as a result of short-term rates moving upward with long-term rates remaining at or near present levels. Given a steadily improving business picture, the

Fed could allow short rates to gradually move upward without endangering the recovery process. An upward movement of long-term rates, however, with its concurrent restrictive effects on such industries as housing, could result in a psychological blow to the recovery process that could be fatal. I believe that the Fed will do everything in its power during the remainder of 1972 to prevent such a situation from developing, even to the extent of reinstituting a modified "operation twist."

In general, pressures on the long-term market, as far as demand is concerned, should be somewhat less than in years past. Corporations are in liquid positions as a result of their heavy bond flotations of recent years; thus, they should not be heavy borrowers during 1972. The first two months of the year indicate that municipal sales should be below 1971. Housing demands will be strong but should not be large enough to offset decreased corporate and municipal requirements. In summary, I believe long-term rates will remain at, or near, their present levels for the remainder of 1972.

What changes are in store for the municipal bond market? There are many, such as the increased usage of the so-called "guerilla" account in which a relatively few bidders take large participations in individual issues. There is also the question of the ultimate security for the nation's school bonds—both issued and to be issued—that has been raised in Serrano vs. Priest and other cases in several states.

From a market point of view, these questions are only of passing interest. I believe, however, that the impact of two other situations currently developing in municipals can have far-reaching market consequences. These are:

(1) *Pollution control.* In addition to the large financial requirements that municipalities will have to meet to bring their water, sewer and solid waste systems into conformity with new federal requirements, are to be added the equally large or larger requirements needed to bring the many industrial facilities around the country up to standard.

Some years ago there was a great hue and cry about the effect that unlimited industrial revenue financing was having on the interest rates paid by municipalities and schools for their regular financing. Relatively little has been said about the potential impact of pollution control financing on those same rates. Since the method to be used is similar to industrial revenue financing and since it will allow unlimited amounts of such bonds to be issued, it seems logical to assume that the same argument for the impact of other interest rates on such issues can be made.

At any rate, the magnitude of this potential financing is spectacular by any standard. Rates should be extremely attractive and some excellent companies will be represented, so buying opportunities should be considered carefully by the portfolio manager.

(2) *Taxable municipal bonds.* There are presently in Congress about as many bills as there are congressmen, all designed in one way or another to eliminate the tax exemption on municipal bonds. Having tried a frontal attack on the concept a few years ago that failed, the "aginners" are approaching the situation from a new angle.

Two basic approaches are being made:

(1) The municipality could sell its obligations to a new government corporation; which, in turn, would raise the money to buy the municipal obligations by selling its own taxable securities on the open market. Since the rate at which the government corporation would sell its bonds would be higher than the municipalities would be paying, a subsidy would have to be forthcoming from Congress. I believe this is the least likely approach for Congress to approve, as it would require the municipality to surrender a great deal of its freedom of action to a government agency.

(2) The municipality could offer both taxable and tax-exempt bonds for sale. The government would have agreed on some prearranged subsidy to the municipality in the event it sold taxable securities. It would then be up to the municipality to compare the costs of selling a tax-exempt bond with no government subsidy to selling a taxable bond with a subsidy.

It is my feeling that a program similar to this will be enacted by Congress—at least as to certain types of municipal obligations—within the next two years. The market impact of this program is obvious. Depending on the size of the subsidy and the types of obligations included, it could greatly reduce the number of purely tax-exempt bonds coming to market and greatly affect the price of such obligations, as well as the secondary market on existing tax exempts. • •

Minbanc Reaches First Capitalization Goal of $3.9 Million

MINBANC CAPITAL Corp. has announced the sale of the first $3.9 million of common stock toward its $10 million capitalization goal. Minbanc is a closed-end investment company that will invest funds in non-voting securities of minority-owned banks. It was created by the ABA late in 1971.

Stock in the new corporation—20,000 shares at $500 per share—is being offered to the nearly 13,500 commercial bank members of the ABA. The goal of full capitalization of Minbanc is $10 million. The initial capitalization of $3.9 million represents investments by 348 banks, 124 of which are in the Mid-Continent area.

"This is an excellent start, and it is gratifying that the initial goal of $3 million has been exceeded," stated Allen Stults, president of the ABA and chairman of American National, Chicago. "It is good particularly in view of the relatively short period of time which has elapsed since the initial offering and the fact that many banks are still to be heard from. Minbanc's effectiveness depends in part upon a broad base of banking industry support that the urban and community affairs committee of the ABA is seeking.

"One factor limiting broader participation to date is a legal problem affecting a substantial number of state banks," Mr. Stults explained. "While state-chartered banks in over 30 states are authorized to invest in Minbanc stock, in at least 13 states such investments are currently prohibited by law for state banks. In addition, several states allow the purchase of Minbanc stock, but require that it be treated as a contribution, not an asset of the bank. In each instance where such limitations exist, we are seeking corrective legislation."

George Champion, chairman and president of Minbanc, and former chairman of Chase Manhattan Bank, said, "Minbanc's board of directors is pleased that the corporation has met its first objective. But $3 million was only the initial goal; the 42 minority banks can utilize the full capitalization of $10 million, and we fully anticipate an appropriate response from ABA member banks.

"The board is now moving to set up an investment committee and to develop guidelines and procedures for investments. We hope to be in the position to receive applications from the minority banks in the near future," he added. • •

Profile of a Professional Pacesetter

Since joining NBT in 1966, Bill Nash has carved a special niche for himself . . . both in Oklahoma banking circles and in Tulsa community affairs. After you meet this dynamic young banking executive, you'll agree he has a special "knack" for tackling problems head-on . . . in a *person-to-person* situation. A talent that uniquely qualifies him to head NBT's Correspondent Bank Department.

Don't let his low-key Georgia drawl fool you. His list of civic accomplishments and accolades are far more numerous than his years. In 1970, he was honored as Tulsa's Outstanding Young Man by the Junior Chamber of Commerce. Currently, he is a member of the board of regents of Oral Roberts University, a director of the Tulsa Boys Home, first vice president of the Downtown Lions Club, vice chairman of Tulsa Area Youth for Christ, as well as a member of the Junior League's Business Advisory Council.

And his list of professional credits is equally impressive. A graduate of Northwestern University's School of Bank Marketing, Bill joined NBT in 1966 as advertising manager and director of public relations. Named an NBT officer in 1967, he was promoted to Vice President and head of the Real Estate Loan Department in 1970. He is also a graduate of Oklahoma State University's Intermediate School of Banking.

But don't take our word for it. Find out for yourself. There's a *difference* in the brand of banking service you'll get from a *professional* Pacesetter. So, look for Bill . . . he'll be looking for you.

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INVESTMENTS

Institutional bonds for Methodist Hospital, Madison, Wis., were rated "A" and handled by B. C. Ziegler & Co.

Continued Demand for Institutionals Seen by B. C. Ziegler Official

DEMAND from the nation's private, nonprofit hospitals for capital funds for expansion and renovation projects continued at a high level throughout 1971, according to William R. Holmquist, vice president, B. C. Ziegler & Co., West Bend, Wis.

And Mr. Holmquist anticipates that this volume will continue its established growth trend through 1972, a direct result of the ongoing demand for capital funds by the private, nonprofit hospitals that form the backbone of the nation's health-care industry.

Mr. Holmquist says these funds are needed to establish facilities in newly developed suburban and rural communities, to expand and renovate existing facilities and to provide space for increased diagnostic, therapeutic and ancillary facilities.

Of the $223 million in institutional bonds and note issues handled by Ziegler in 1971, $217 million was provided to 67 hospitals throughout the U. S.

Investor demand for institutional securities distributed by the firm remained at an exceptionally high level throughout 1971, Mr. Holmquist reports. This demand came from both individual investors and from financial institutions, which were attracted to institutional bonds because of the security offered.

Interest rates on institutional bonds are generally higher than for other corporate debt securities, Mr. Holmquist says. All the larger-sized institutional issues underwritten and sold by Ziegler are rated, he continues, usually "AA."

Of the institutional bond purchasers doing business with Ziegler in 1971, banks made up the second-largest category, followed by insurance firms, credit unions and pension and profit-sharing funds, he says.

It is a common practice for banks purchasing institutional bonds to place them in trust fund accounts, pension or profit-sharing funds administered by the banks, in addition to their own portfolios, according to Mr. Holmquist. He adds that some of Ziegler's bank customers and banks use their "reserve-for-bad-debt" funds to purchase institutional bonds.

Mr. Holmquist says that the resurgence of institutional bond purchases by banks in 1971 was undoubtedly the result of the availability of funds for term investments. Whenever the money supply increases, he says, banks increase their volume of institutional bond purchases. Conversely, whenever money is tight, banks demand decreases in their institutional bond holdings. But individual investors increase their demand for institutional bonds during tight money periods, because of the premium returns they receive on their investments.

Since all institutional bonds handled

LIST OF LARGER BOND ISSUES OFFERED AND SOLD IN 1971 BY B. C. ZIEGLER & CO.

ISSUE	AMOUNT	RATE	RATING
Holy Cross Hospital, Fort Lauderdale, Fla.	$12,000,000	6½%-8¼%	AA
St. Vincent Hospital, Portland, Ore.	5,500,000	6¾%-8¾%	AA
Memorial Hospital, Springfield, Ill.	4,500,000	6%-8%	AA
Crawford W. Long Memorial Hospital, Atlanta	5,000,000	6½%-8½%	AA
St. Anthony Hospital, St. Petersburg, Fla.	5,000,000	6½%-8½%	AA
Sacred Heart Hospital, Spokane, Wash.	5,000,000	7%-9%	AA
G. N. Wilcox Hospital, Lihue, Hawaii	2,100,000	6½%-9%	AA
Phoenix (Ariz.) General Hospital	2,500,000	6½%-8½%	AA

by Ziegler have serial maturities ranging up to 15 years, banks and individuals can have investment flexibility with no need for investors to commit all their available funds for single long-term maturity bonds, Mr. Holmquist points out.

At the beginning of 1971, he reports, the rate of return on institutional bonds was generally from 8% to 9%, with longer-term bonds pegged at the higher rate. As the year progressed, rates softened, and had declined to 6% on short-term bonds and up to 8% on long-term maturities by the beginning of this year.

Mr. Holmquist reports that the volume of interim paper marketed through Ziegler and its affiliate, Ziegler Financing Corp., also hit a new record of $275 million in 1971—more than a 10-fold increase over sales 10 years previous, when the firms first inaugurated the service.

Of the two firms, B. C. Ziegler handles short-term notes as a means of providing interim construction financing to institutions receiving long-term financing from the firm. Ziegler Financing specializes in construction financing for all types of commercial building projects throughout the U. S.

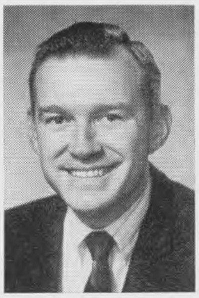
Banks carry Ziegler short-term paper along with commercial paper under loans and discounts and use it to cover their time deposits. Notes mature from as little as a few days to as long as nine months, Mr. Holmquist says. The rates move with the prevailing money market and offer competitive yields for similar short-term investments, he added. • •

La. Junior Bankers Announce Program For 1972 Convention

BATON ROUGE—Dr. Maxime A. Faget, director of engineering and development at the Manned Spacecraft Center in Houston, will be the keynote speaker for the annual study conference and convention of the Junior Bankers Section of the Louisiana Bankers Association. The meeting will be held March 16-18 at the Bellemont Motor Hotel here. Dr. Faget will speak at 9:30 a.m. March 17.

FAGET

Registration is scheduled for 4-6 p.m. March 16 and 8:30 a.m. the following day. A reception from 5-7 p.m. will be held March 16.



BARBER

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SPENCE

TOUPS

On March 17, Dr. Faget's talk will be preceded by remarks to be given by John A. Oulliber, president, Louisiana Bankers Association, and chairman, First National Bank of Commerce, New Orleans. Also on that morning's program will be: James B. Watt, executive manager, Bank Marketing Association, Chicago, "Does Somebody Out There Like You?"; John D. Gibbons, vice president, Deposit Guaranty National, Jackson, Miss., "Bank Investments—U. S. Government Bonds"; and E. B. Robinson Jr., assistant vice president, Deposit Guaranty, "Bank Investments—Municipal Bonds."

Following a noon luncheon, the program will continue with these speakers: V. Joseph Perez III, vice president and controller, Bank of New Orleans, "Development of Bank Holding Companies"; Carmine T. Pallotta, director of training for the state of Massachusetts, Boston, "How to Win Customers and Satisfy Employees"; and W. Thomas Maloan, senior vice president, Union National, Little Rock, "Loan Administration—the Twilight Zone."

A "Mexican Casino Fiesta" is planned for 7:30 o'clock that night.

On March 18, a breakfast at 8 o'clock will be followed by the following program: Wilmore W. Whitmore, president, Hub City Bank, Lafayette, La., "Banking—an Economic Profile"; Dr. Robert W. Elsasser, business consultant, New Orleans, "Current Economic Symptoms"; and A. Hartie Spence, Junior Bankers treasurer and assistant vice president, First National, Shreveport, "Report of Education Committee."

The meeting will end that night with a social hour and president's banquet, which will be followed by dancing. Special entertainment also is planned for women.

In addition to Mr. Spence, Junior Bankers officers are: president, Charles W. Barber, vice president, Rapides Bank, Alexandria; vice president, Gerald J. Beauregard, assistant vice president, Bank of New Orleans; and secretary, Henry Toups Jr., vice president, Terrebonne Bank, Houma.

Mr. Barber joined his bank in 1958 after graduating magna cum laude, with a B.S. in accounting, from Louisiana State University, Baton Rouge, where he ranked first in his class. He moved up to assistant cashier in 1961, assistant vice president in 1965 and vice president in 1967. He now has responsibility for installation of new systems and oversees the data processing department. Mr. Barber is a graduate of the School of Banking of the South.

Mr. Beauregard, who will be graduated in 1973 from the School of Banking of the South, joined Bank of New Orleans in 1955. He filled several assignments, including managing the Broadmoor Branch, before being named to the correspondent bank department.

Mr. Toups joined his bank, then known as Bank of Terrebonne, in 1959. He held several posts, including vice president of the commercial loan division before being promoted in 1971 to commercial business development officer. In his commercial loan post, Mr. Toups headed the embryonic credit department. He is a graduate of the School of Banking of the South.

Mr. Spence, a graduate of Louisiana State's Law School, joined First National of Shreveport in 1964. He has trained in most departments, including branches, was elected assistant cashier in 1967 and assistant vice president in 1970. He belongs to the American and Louisiana Bar associations.

Bank Building Corp. Sales Awards

Awards were presented for top sales performance during 1971 at a recent Bank Building Corp., St. Louis, sales conference. Bill Cann (far l.), pres., presents the "President's Cup," a traveling trophy, to Doyal Greenlee, southern division mgr. Jack Miner (center), sr. v.p., presents the award for the most outstanding sales performance in the attainment of Bank Building Corp.'s sales goals to Mac McKenzie, consultant services mgr., southern division. Leon Pinkerton, sales mgr., southern division, is at far right.

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Sinking Fund Notes due 1991

Kidder, Peabody & Co.
Incorporated

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The Northwestern Bank

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$6,000,000

Boatmen's Bancshares, Inc.

Sinking Fund Notes due 1991

Kidder, Peabody & Co.
Incorporated

Like an industrial corporation, when a bank seeks additional capital it should examine both the public and private capital marketplaces. In recent months, more and more banks, and bank holding companies, have taken advantage of current money rates to build a larger capital base through private placements.

For instance, we have recently completed three such financings for $22.5 million. Yes, for many banks there are compelling reasons why the private market can be an attractive alternative to a public financing. And in each year during the past decade, we managed more private placements than any other firm.

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Invalidation of Bond Sales Could Result From Rulings By Courts on Property Tax

By PAUL HEFFERNAN

Editor
The Daily Bond Buyer

EDITOR'S NOTE: A great deal of material has appeared in newspapers, magazines and on TV lately about the property tax and whether it should be continued as the means of financing public schools. One suggestion is to replace it with a European-style value-added tax, which would be collected on sales at various levels of business. However, opponents say this tax would ultimately be borne by consumers.

The following article, which was written for The Daily Bond Buyer, *is an excellent discussion of the subject of school financing. It is particularly appropriate to the March issue of* Mid-Continent Banker *because this issue spotlights investment subjects.*

This article was written before the New Jersey Supreme Court also invalidated local property taxes for schools.

THE FUTURE FORM of public school financing in the United States may be the immediate question raised by recent decisions of the courts, but the underlying implications of the judicial decisions bring into question as well the constitutionality of all functions of local government dependent for financing on the property tax resources of taxing districts of unequal wealth.

If the United States Supreme Court goes along with the thinking of the judges in California, Minnesota and Texas, the local property tax base for other local government functions—public safety, sanitation, road maintenance, etc.—will be vulnerable to the constitutional challenge under the 14th Amendment's guaranty of "equal protection under the law" wherever it can be shown that the taxable ad valorem wealth of one taxing district is underwriting a higher standard of public service than a less wealthy district.

Such an application of the pledge of the 14th Amendment could very well lead to the extinction of all property taxation and a shifting of the function to state government. If local property taxation were to survive at all under such judgment, all local taxing districts would have to be redrawn into areas of equal taxable wealth, with periodic refashioning of the districts to maintain parity in property tax base.

Bonds in Limbo

The ruling of the Texas Court has thrown into limbo about $2 billion of outstanding Texas school bonds and has ruled out the permissibility of the issuance of any more local school district bonds until the Texas Legislature has adopted a new basis for financing the public school function. If the United States Supreme Court were to go along with the Texas ruling, an estimated $30 billion of school bonds issued throughout the nation would become invalid.

Already leading bond counsel specializing in the validity of local government bonds are taking the position that—following the pronouncement of the federal judges in Texas—they can no longer give opinions affirming the validity of any school bonds issued in the United States except those put out by state and city governments having tax resources going way beyond the ad valorem property tax base. This would mean a virtual halt to local school district financing for whatever period—a year, two years or even three—that it would take for state legislatures affected to take the steps ordered by the courts to supplant the invalidated local property tax bond security.

The question arises: Did the judges of California, Minnesota and Texas give thought to the outstanding bonds of local school districts secured by local property taxes? The judiciary should take steps to insulate school bond financing commitments—past, present and future—from the concept of relating school operating costs to the egalitarian principle of the 14th Amendment.

The warrant for this exception is twofold.

In the first place, school construction and the debt burdens related thereto are already regulated with substantial equity and adequacy at the state level of government through enforcement of building standards.

In the second place, by segregating the debt-service commitment of school districts from the application of the

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(816) 471-6460

Albuquerque	Chicago	Ft. Worth	Denver	Omaha
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judgment of the federal judges in Texas (and of informal opinions expressed by judges in California and Minnesota) the judicial arm would rule out any question being raised about judges ordering state legislatures to "impair the obligations of contracts" and thereby violate Article I of the Federal Constitution.

The solution lies in a realistic appreciation of the fact that the issuance of bonds for school purposes (mostly for school construction) represents only a minor percentage of school financing costs. Because of common debt and tax limit requirements, school bond debt-service costs generally run around 10% of school district operating budgets. For debt service to exceed 15% of school financing costs would be exceptional.

But the central issue of "equal protection of the laws" in public school financing remains. The question: If equal school opportunity is to be made available to the school children of a given state—regardless of place of residence—what standard shall the state set forth for attainment?

Will it be the "Three Rs—Period" of the lowly pinewoods? Or the dancing and fencing halls of affluent Suburbia or Exurbia?

Further questions: If state governments settle for the minimal "Three Rs" in the promulgation of an educational standard, will not residents of wealthy areas make private financial outlays to perpetuate inequality of educational opportunity?

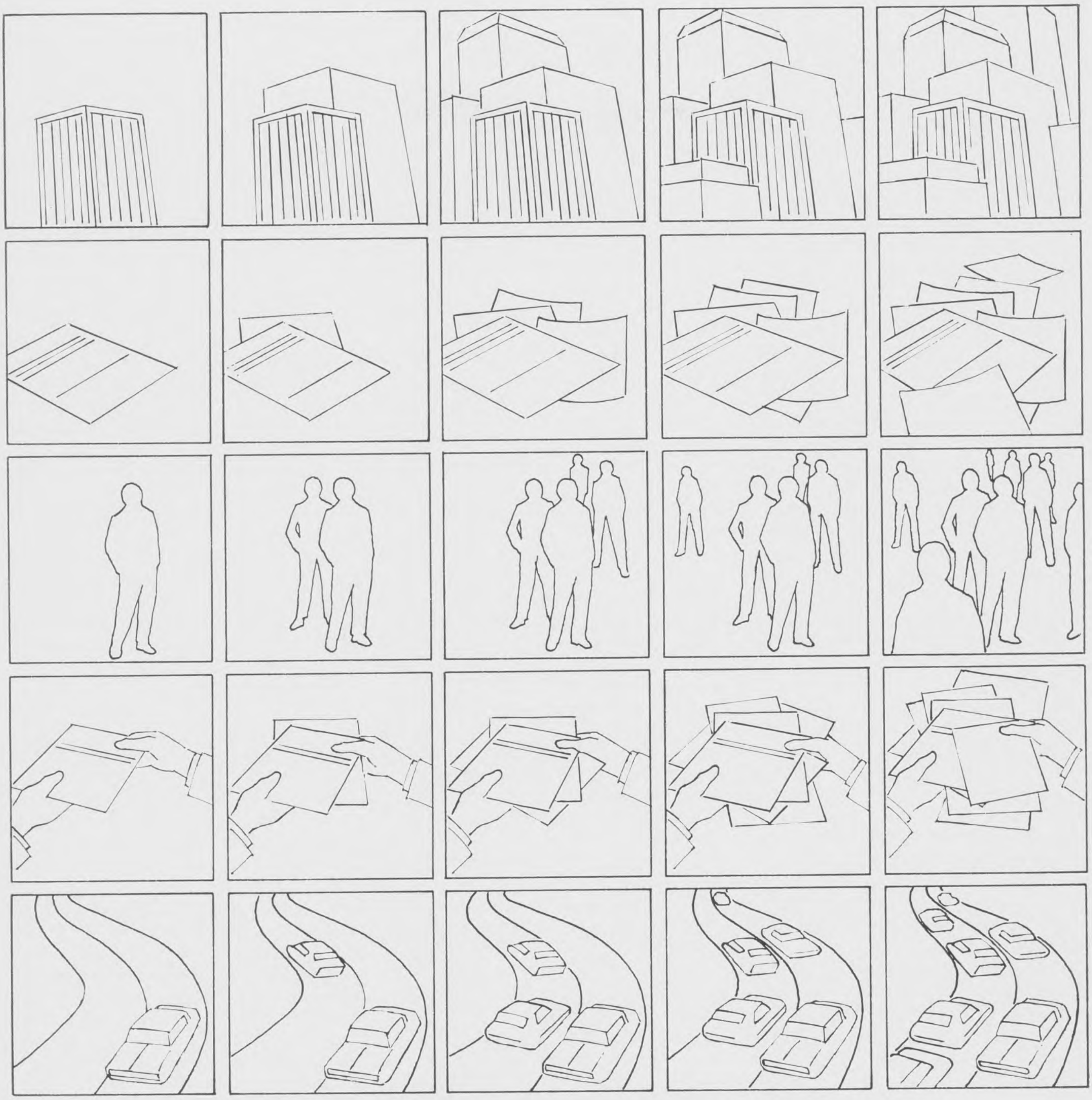
What about the states? If certain states adopt educational facility standards materially higher than other states, is a "federal question" under the 14th Amendment involved? If not, will new migrations of populations—families from low-standard states moving to high-standard states—take place? • •

HCs Can Pilot Mutual Funds

Bank holding companies have been authorized by the Fed to act as investment advisers to mutual funds and other investment firms.

A number of limitations were placed on the new activity, including (1) HCs will not be allowed to sell or distribute securities of any investment firms they advise, (2) HCs cannot purchase securities of funds they advise for their own accounts or accept the securities as collateral for loans to purchase stock of the investment firms, (3) HCs cannot extend credit to investment firms they advise and cannot advise investment firms with names similar to the HC names, or the names of any subsidiaries.

The new authority does not cover acting as a management consultant, a point that is still under consideration by the Fed.



Hunt Commission Recommendations Cover Three Areas of Investments

IN THE PAST few issues, MID-CONTINENT BANKER has been reporting various recommendations contained in the report of the Presidential Commission on Financial Structure and Regulation, also known as the Hunt Report.

Three key recommendations concern the investment aspect of banking, as follows:

Public service bonds. The report recommends that commercial banks and their subsidiaries be permitted to underwrite revenue bonds secured by revenues from essential public services with an established record of annual earnings sufficient to cover prospective annual principal and interest charges with a satisfactory margin or rated A or better by established rating services.

This new authority would be in addition to the authority granted by the Housing Act of 1968 and existing authority to underwrite revenue bonds classified by the Comptroller of the Currency as general obligations.

In a statement as to why the foregoing recommendation was made, the report states that, although the commission does not favor bank underwriting of private security issues or industrial development bonds, it does recommend a broadening of the types of securities that banks can underwrite—such as public service bonds.

The report says the commission realizes that expansion along this line produces additional supervisory burdens with regard to which securities should be approved. Experience will be needed to determine whether expanded power in this area would justify the additional administrative burden.

Mutual funds for banks. Another recommendation would authorize commercial banks and their subsidiaries and holding company affiliates to be permitted to manage and sell mutual funds, including commingled agency accounts, subject to regulation by the Securities & Exchange Commission (SEC).

Reasoning behind this recommendation boils down to the fact that people with moderate amounts to invest in mutual funds cannot take advantage of the high level of skill banks have demonstrated in investing funds for holders of trusts.

By having authority to handle mutual funds, banks would be in a position to improve their service to individuals of moderate and low incomes, the report states. In the sale and management of mutual funds, the report continues, commercial banks should be subject to the same regulations—both those of the individual states and of the SEC—as others selling and managing mutual funds.

The report continues that mutual fund salesmen can sell a variety of funds and be directly employed by an organization other than the mutual fund management firm. Commercial banks should be allowed similar latitude, according to the report.

Such a provision would have salutary competitive effects, especially in small communities where no mutual fund salesmen operate or where only a narrow range of funds is available.

The commission also recommends that banks, their subsidiaries and holding companies be permitted to use commingled agency accounts. This would allow them to serve smaller investment accounts at lower costs, with corresponding public benefits, the report states.

More bonds for S&Ls. In another section of the report the commission recommends that S&Ls and mutual savings banks be permitted to invest in a full range of investment-grade U. S. government, state and municipal bonds and private debt instruments of all maturities.

The commission's views on this subject arise mainly from considerations of earnings and improvements in flows of funds into real estate financing and other socially desirable areas.

S&Ls and mutual savings banks are, in general, permitted to purchase government obligations of all maturities, the report states. But the S&Ls are more restricted in their authority to purchase special agency obligations and are prevented from purchasing private debt instruments. By urging the removal of these restrictions, the commission seeks to give deposit thrift institutions access to the liquidity they require and, at the same time, to provide them with options to improve their earnings.

This should produce some marginal improvements in the markets for these obligations, the report states. At the same time, it should increase the ability of the institutions to adapt to a market of high and variable interest rates in which yield curves are occasionally negatively inclined, the report states.

Regarding the future of the report, opinion seems to be almost unanimous that the many recommendations will not be written into legislation in 1972, primarily because the subject matter is not such as to influence voters in an election year.

But opinion is almost as united on the fact that the report will remain in the spotlight among financial interests for some time to come. • •

Promotions, Earnings Reported By Commerce Bank and HC

KANSAS CITY—Commerce Bank has elected 11 new officers and Commerce Bancshares has reported increased earnings.

New commercial banking officers are John Williams, John Taylor, Frank Greiner, Ron Zuzack, Robert Matthews, Tim Stanton and Steve Wilson. New personnel officers are John Wells and Michael Berlau.

Frank Shobe was elected assistant manager of the money management department and Donald Blair was promoted to systems officer.

Net income for Commerce Bancshares for 1971 amounted to $4.96 per share, compared with $4.82 per share in 1970. Consolidated net income for 1971 was $11.5 million, compared with the 1970 figure of $11.6 million.

Missouri Independent Bankers Elect New Officers for 1972

The Missouri Independent Bankers Association recently elected new officers for 1972.

The new officers are: president, William D. Breedlove, cashier, Citizens Bank, Rogersville; vice president, D. D. Salveter, president, Bank of Crocker; secretary, R. A. Arand, vice president and cashier, United Bank, Union; and treasurer, Frank Blair Jr., president, Bank of Belton.

Consolidated Statement of Condition*

December 31, 1971

RESOURCES

Cash and due from banks	$ 196,230,767
Investment securities:	
U.S. Treasury securities:	78,063,626
Securities of U.S. Government Agencies and Corporations	12,341,140
Obligations of States and Political Subdivisions	121,277,524
Other securities	21,979,863
Trading account securities	17,720,891
Federal Funds sold and securities purchased under agreements to resell	45,700,000
Loans	517,585,660
Bank premises and equipment	29,849,988
Customers' acceptance liability	96,872
Other assets	7,873,493
Total resources	$1,048,719,824

LIABILITIES

Demand deposits	$ 430,848,981	
Time and savings deposits	462,043,193	
Total deposits		$ 892,892,174
Federal Funds purchased and securities sold under agreements to repurchase		60,400,000
Acceptances outstanding		96,872
Other liabilities		15,502,396
Total deposits and liabilities		$ 968,891,442
RESERVE ON LOANS		
Reserve for loan losses		6,900,263
CAPITAL ACCOUNTS		
Capital stock, $10 par; authorized 2,000,000 shares: Issued and outstanding 1,500,000 shares		15,000,000
Surplus		32,500,000
Undivided profits		24,064,580
Unallocated reserve		1,363,539
Total capital accounts		$ 72,928,119
Total liabilities, reserves and capital accounts		$1,048,719,824

Union Planters
NATIONAL BANK OF MEMPHIS
Member Federal Deposit Insurance Corporation

*Subject to verification of Certified Audit

Why People Don't Have Checking Accounts Is Subject of New BMA-Conducted Study

CHICAGO—"A Qualitative Analysis of Why People Do Not Have Checking Accounts" is the title of a new study conducted and published by Bank Marketing Association and Social Research, Inc., of Chicago.

The study represents a culmination of over two years' effort by the association's DEFT (Direct Electronic Fund Transfer) committee. Nine banks were represented on the committee and shared in the funding of the project.

The results include a qualitative attitude/opinion study conducted among a representative cross-section of people who don't use checking accounts. The DEFT report is broken into two major sections: the management digest, and the presentation of findings. The former contains background information, management purpose, research objectives and procedure and a summary of major findings. The presentation of findings section includes a detailed analysis and interpretation of all areas developed in the investigation.

Four specific research objectives were stressed—what types (demographic, social class, psychographic) of people do not use the checking account service of banks; why don't they use it (experiences, attitudes, motivations, life styles); what alternatives they use and why; and how they feel about future changes in the payments system.

The study was carried out in two stages. Stage one, an exploratory step, elicited the responses of two mixed groups that totaled 15 respondents in tape-recorded discussions of the topics. This initial stage also served as an introduction to the range and character of concern and response, and was the model for Stage two—personal interviews gathered from 214 individuals in seven U. S. and Canadian cities.

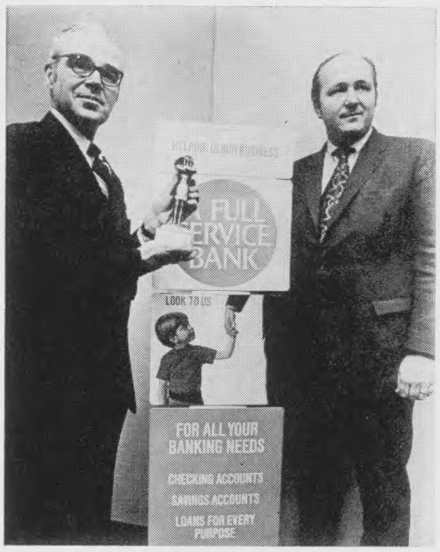
The DEFT report examines every stratum of society—from low income, blue collar workers and welfare recipients to financially comfortable suburbanites.

In commenting on the DEFT report, a spokesman stated that, "With the increased competition that now faces the banking industry, it is imperative that we re-examine some of our traditional services. We must determine new methods of packaging—designed to appeal specifically to those segments of the population that do not presently utilize our services. We consider it vital to bring these potential customers into the banking system. As we change to a more automated payment system, their needs must be recognized on a social as well as an economic basis."

The report was co-authored by Robert Schlax, BMA Director of Research and Long Range Planning, and Dr. Sidney J. Levy, vice president and director of psychological research at Social Research, Inc. Mid-Continent-area members of the 1971 DEFT committee included Robert J. Person, senior vice president, Central National; Richard Pierce, manager of marketing research, First National; and Jack W. Whittle, vice president-marketing, Continental Illinois National, all of Chicago.

The DEFT report, in exploring consumer attitudes and motivations in the checking account area, is said to offer new insights into a marketing problem that has long plagued the banking industry. Copies are available from the Bank Marketing Association at $10 per member, or $15 per non-member. For more information, or to place an order, contact Robert Schlax, director, division of research and long range planning, Bank Marketing Association, 309 West Washington Street, Chicago, Ill. 60606. • •

Foundation Receives Award



The Foundation for Full Service Banks has been cited for its floor display, which has been termed the best merchandising tool of its type in a service industry for 1971. Award was made by Point-of-Purchase Advertising Institute. Holding "outstanding merchandising achievement" statuette is J. W. Frenaye, president of Full Service Bank's Advertising Co., creators of the display, as Pierce A. R. Baugh, Foundation president, looks on. More than 1,500 entries were entered in competition.

Premium Promotion Introduces Customers To Full-Service Concept

PREMIUM promotions are usually designed to push savings deposits and bring new people into banks to be exposed to efficient service and pleasant atmosphere.

But Brookhaven (Miss.) Bank put its most recent premium promotion to work to introduce the full-service concept—resulting in greater benefits to the bank.

The bank enabled customers to obtain the premium in seven different ways—thus creating activity in six of its departments.

What was the premium that the bank was depending on to stimulate new business? A little gem called the Auto Fire Charcoal Lighter/Heater/Stove. Its primary use is to quickly ignite charcoal briquets for outdoor cookouts without the use of dangerous fluids or chemicals. But it also doubles as a camp stove and heater. Clearly a premium that could be used year 'round in many ways.

In order to qualify for the premium at no cost, customers could

- Bank with Brookhaven for the first time
- Open a $100 savings account
- Add $100 to their present savings account
- Open a $100 checking account
- Qualify for a $500 installment loan
- Rent a safe deposit box
- Charge $100 or more to their Master Charge account

The reason for making it so simple for customers to obtain the premiums was the goodwill and increased traffic the promotion would create—which would be profitable for the bank.

The promotion began in April and ran into July. Newspaper ads, radio spots, outdoor posters and point-of-sale displays were aggressively used to call attention to the promotion. Catchy theme of the advertising was "light up your future time." Ad copy suggested that customers could begin a program for building financial success by being shown by the bank how they could manage their money more wisely.

The copy then described the seven methods to qualify for the premium and included a brief description of the premium. The top half of the full-page newspaper ad featured an eye-catching red flame.

Another newspaper ad was headlined "We want to get you all fired-up about your money" and a third ad (see illustration) offered a program to help customers build financial success, with the free premium as an inducement to get them started.

Results of the program exceeded expectations, according to Ray L. Davis, bank president. The bank had estimated that 500 premiums would be moved in the promotion. It was a pleasant surprise to learn that 887 premiums were dispensed, bringing in more than $578,000 in new money.

But it wasn't only the new money that made the program successful. It was the favorable talk, the goodwill and the knowledge that many more people had become acquainted with Brookhaven Bank—a full-service institution. • •

Newspaper advertisement stresses free premium and offer to help customers build financial success.

CATFISH AND BEES—

Or, How to De-Risk a Loan

By JIM FABIAN Associate Editor

CATFISH AND BEES. What do they have to do with banking?

More than the casual observer might think. For catfish and bees symbolize the high risks associated with a variety of loan situations.

For instance. The rapid growth of the catfish cultivation industry has resulted in numerous requests for loans to finance the road from rags to riches via catfish farming. Such projects often begin as shoestring operations, but every new operation represents a new customer for the bank. Thus, every loan granted to enable an individual to embark on a catfish venture holds the promise of a long and profitable banking relationship.

But all bankers who have had dealings with the idiosyncrasies of catfish farming realize that the risks are high. What happens to the loan if a flood washes the catfish right out of their ponds? What happens to the loan if a pond of healthy catfish is hit by oxygen deficiency? Such situations almost inevitably result in losses for the bank. The spectre of possible disaster is enough to encourage any loan officer to be negative about granting loans to catfish farmers.

But there's no need for refusing funds. Not as long as an insurance firm is willing to cover the fish with "catfish mortality" insurance. This rather new coverage is tailored to insure against loss caused by flood, earthquake, collapse or subsidence, hail, disease, oxygen depletion, insecticides and chemicals. All a banker need do to take the risk out of such a loan is insist that the borrower insure his operation with "catfish mortality."

Now for the bees.

Crop dusting is another line of business that is gaining in popularity. It takes a good sum to finance such an operation, what with the cost of an airplane, etc. Although the risks of low-level flying are not what they were years ago, what about the risks of spraying the wrong field or unanticipated damage from drifting insecticide?

Not too long ago an enterprising crop duster learned that an insecticide he had sprayed on a farmer's field had drifted with the wind and killed a thriving colony of bees. The damage was sufficient to force the crop duster out of business. What did the bank end up with? A used airplane that was difficult to peddle—*and one less customer*.

Because the crop duster had no dusting and spraying insurance coverage (it wasn't available then), his loan proved to be extremely risky.

Popular Risk Coverages

What types of high-risk insurance coverage are bankers recommending to borrowers? A spot check of banks in the Mid-Continent area reveals the following coverages and/or categories to be most often mentioned:

Catfish mortality, crop dusting and spraying, custom harvesting operations, equipment and tool rental services, golf cars, hail insurance on growing crops, helicopters, houseboats, mobile home dealers' physical damage and liability, multiple peril crop, poultry, hazardous or new products liability, rain insurance, river and harbor craft, summer camps and supermarkets.

But today it is possible to purchase crop dusting and spraying coverage that helps take the risk out of such an operation. Here again, an alert loan officer can require the crop duster to arrange for coverage that will help protect the bank's investment and—best of all—help assure that the crop duster's business grows and benefits the bank for years to come.

Catfish mortality and crop dusting and spraying coverages are not the only insurance available to de-risk loans. Numerous coverages have been designed and placed on the market to enable borrowers to qualify more readily for loans. Bank loan officers are usually in ideal positions to advise these borrowers of what coverages can be obtained and what kinds of protection these coverages afford.

But the bank loan officers can't advise about high-risk coverages if they are not aware of what is available. One good source of information about high-risk insurance is the firm issuing the bank's blanket bond. Such an agency usually has the resources to direct bankers to the right place to obtain information. The bank's local insurance agent might be of assistance, providing his agency has contacts with specialists in these unusual and risky types of coverages.

Loan officers should realize that efforts to obtain information about high-risk insurance coverages pays off—not only in regard to the borrower, but to the bank also.

So, what do catfish and bees have to do with banking? Increased business and more loyal customers, that's what! • •

Specialized Insurance for Consumer Credit

J. Yanan & Associates

The J. Yanan agency has been a pioneer and leader in writing special insurance coverage for higher amounts of consumer credit.

We can offer prompt processing and placement of your excess insurance needs with one or combination of twenty of the nations leading insurance companies.

The J. Yanan agency is presently serving numerous major accounts in the banking field.

Call for complete details on any of the following services.

Area (317)—253-4444

A. Credit Life and Health And Accident
1. Credit Life Up To $25,000
2. Credit Life In Excess Of Normal Amounts And Older Ages
3. Health And Accident In Excess Of Normal Amounts And Older Ages
4. Health And Accident Without Credit Life
5. Commercial Loans **a. Level Term b. Level Term In Excess Of Normal Amounts and Older Ages**

B. Physical Damage And Liability
1. Automobiles
2. Mobile Homes
3. Motor Homes
4. Recreational Vehicles
5. Snowmobiles

C. Single Interest And Non-filing For Automobiles And Other Loan Portfolios

D. Consultants In Forming Reinsurance Companies

E. Special Bonding Services
1. Bankers Blanket Bond
2. Officers And Directors Liability
3. Extortion Or Kidnap Insurance

F. Credit Bonds
1. Mobile Home
2. Home Modernization

G. Group Coverages—Bank Controlled Mailing Programs To Bank Customers
1. Mortgage Insurance **a. Life And Disability b. Life Only c. Disability Only d. Individual e. Commercial**
2. Group Homeowners Insurance
3. Specialized Individual Insurance For Bank Customers—Both Life And Hospitalization

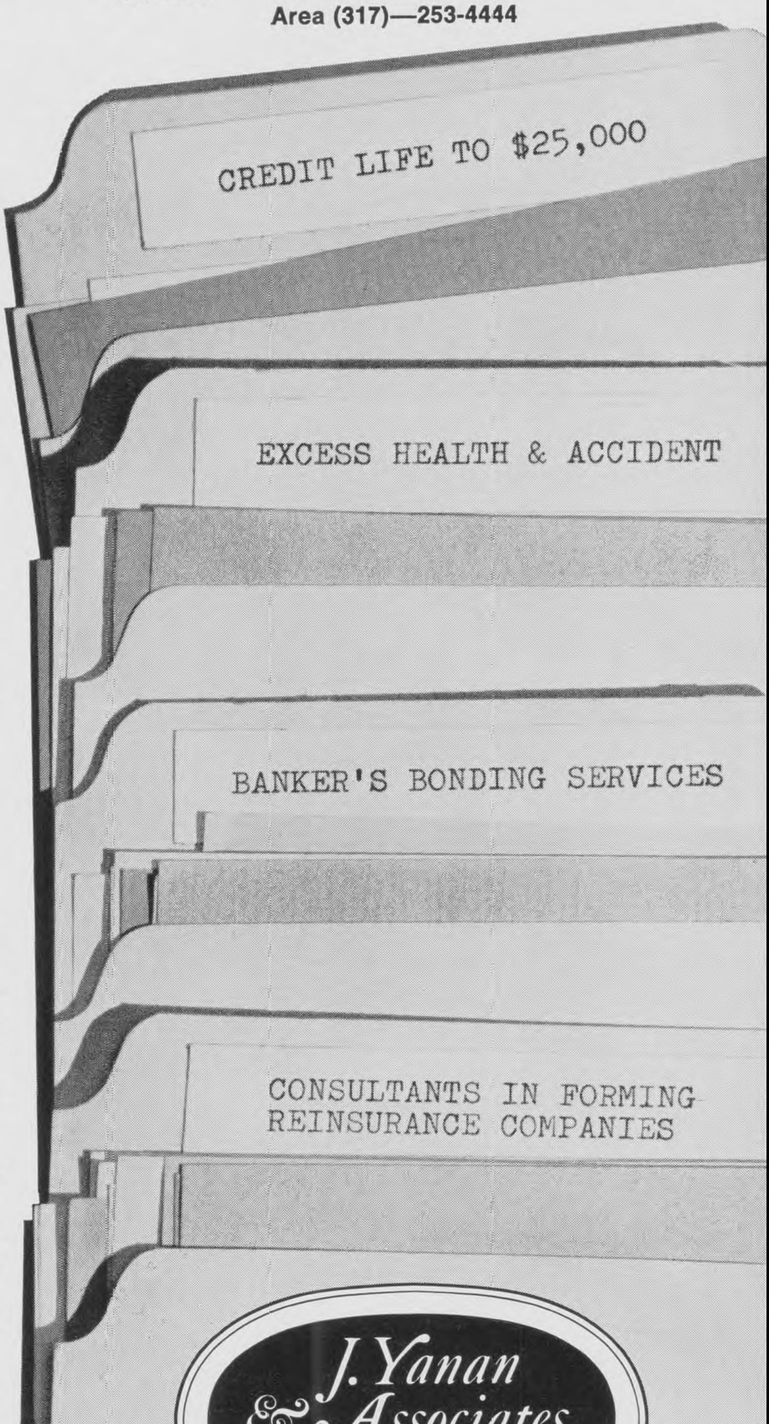
H. Establishment Of Time Deposits Or Demand Accounts

I. Consultants In Establishing Or Selling Loan Portfolios

J. Assistance In Training Personnel When Using Our Services

K. Home Modernization Service Company Representing Both Banks And Dealers

You can have complete confidence in J. Yanan & Assoc., Inc. Our agency provides an Errors and Omissions Policy Through Lloyds of London For Protection of Our Accounts and Companies.



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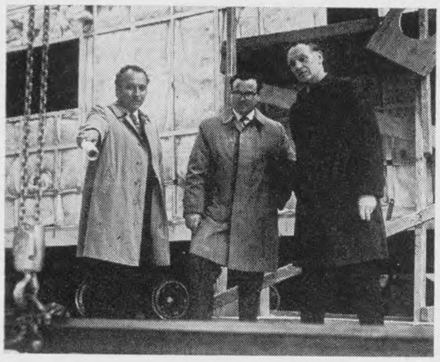
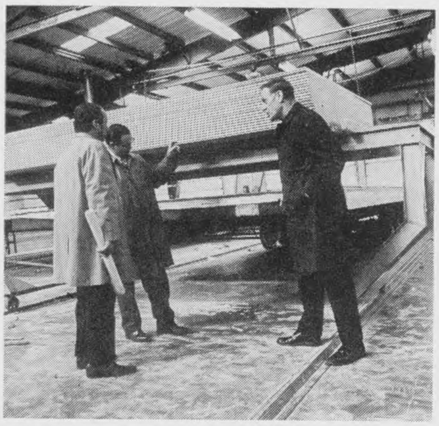




TOP: Two engineers from St. Joseph Valley Bank of Elkhart's insurance division discuss fire door size at a client's new building addition. L. to r. are Bob Rogers, safety and loss-prevention engineer; Les Shurgott, fire and rate engineer; and DeFoe Greenawalt, technical director, C & G Corp., manufacturers of Baron Mobile Homes.

CENTER: No beam will fall off that hook and injure a worker, DeFoe Greenawalt (l.) explains to Les Shurgott (c.) and Bob Rogers (r.), who were checking C & G Corp. plant for safety hazards.

BOTTOM: Flooring board cart, another safety feature at C & G Corp., is checked. Workmen don't have to lift heavy floorboards, which are loaded on cart by forklift. This is example of how equipment can affect insurance rates—and what St. Joseph Valley Bank's engineers look for when they inspect customer's plants.

Insurance and Banking —Match or Mismatch?

INSURANCE OPERATIONS recently have become a topic of both interest and controversy among bankers and legislators.

Such questions are being asked as: Does insurance belong in banking? How should insurance and other bank activities be related—both operationally and spatially—for the best working relationship? How do the two activities affect each other—and to whose advantage?

Perhaps some of the answers can be found within a successful Indiana bank insurance department, that of St. Joseph Valley Bank, Elkhart.

Ward Merchant, a senior vice president of St. Joseph Valley Bank, directs the bank's insurance division. The division brings an annual premium volume of over $6 million, making it one of the three largest insurance agencies in Indiana.

MERCHANT

Mr. Merchant, along with the rest of the bank's top management, believes that insurance definitely belongs in banking because it is another aspect of total financial service for the bank's customers. "Trust departments are an accepted part of banking—so why not insurance?" says Mr. Merchant. "Both provide a service necessary for total protection of a customer's assets."

"We want to offer our customers a total range of financial services," confirms Jon Armstrong, the bank's president. "And insurance is not just an important service. It is a very profitable operation for us as well."

Although insurance is a logical financial function for banks, it should be a distinctly separate department from other services at the bank, according to the St. Joe's operating philosophy. As Mr. Merchant puts it, "The bank holds and disburses money and makes loans—and the insurance division writes insurance. The two are in no way contingent."

As manager of the insurance division, Mr. Merchant reports directly to President Armstrong as part of the bank's top-management team. Beyond this, no insurance department employees are involved in other banking services. And while the department is located next to the bank's main office, it functions as a separate, self-contained unit.

In fact, only about 50% of St. Joe's customers use both banking and insurance services. Some of the insurance division's largest customers do no other business with the bank.

Insurance can operate in a larger

FINANCING A MOBILE HOME?

Our SINGLE-PREMIUM Term Policy Will Protect YOU and the BORROWER!

Our Single-Premium Term Policy is ideally suited to fit any type of mobile home loan. Terms can be from one year to 10 years. Under this type of policy we can go to 30 years if the situation warrants, and there is no limit on the amount of coverage we can handle for your bank.

Therefore, on all mobile home loans, we are recommending our Single-Premium Term Policy, written on a decreasing or level-term basis, along with some form of Accident & Health Coverage.

Why? Lower cost to your younger borrowers, plus higher non-medical limits.

Thus, on mobile home loans, let us give you full details on the flexibility of our Single-Premium Term Policy. Also, we can show you how this policy can fit many other lending situations where insurance will make your lending officers "more comfortable."

Also, let us show you how a "Joint Credit Life" program (insures both husband and wife) can fit into your bank's lending program.


PAUL V. HELEIN
President


JULIAN PAUK
Vice-President


JOHN D. CAULFIELD
Vice-President


BERT R. CORNELISON
Representative

Insurance ENTERPRISES

5811 Hampton Avenue, St. Louis, Mo. 63109 **Phone 314 VE 2-2717**

General Agents for

SBL SECURITY BENEFIT LIFE INSURANCE COMPANY geographical area than a bank in a limited branch-banking state like Indiana. That's why the management of St. Joe Bank has tried to make its insurance division the most efficient, flexible and progressive insurance agency in Indiana. Although Elkhart is small, an industrial city of 40,000, its industries have grown to need national and international insurance services—and St. Joe's insurance division has grown with them to meet their needs.

Mr. Merchant cites the mobile home industry as an example. "Elkhart has grown to be the mobile home manufacturing capital of the world. When the industry was getting its start here, we saw its future for Elkhart and began trying to meet its special needs. We worked long and hard searching both domestic and foreign markets to find insurance companies willing to accept the high risks involved in mobile home manufacturing—even going to Lloyds of London when necessary.

"As the mobile home makers expanded, so did our ability to manage their particular risks, both in the plants and in transporting the units across country. Because we have worked hard to manage difficult risks—either by insuring them or by recommending ways to reduce them—we have developed a reputation for professionalism. As the mobile home companies have grown and multiplied, more and more of them have come to us because they know the way we do business," he said.

St. Joe's insurance business is based on the philosophy of risk management, which the St. Joe people pursue aggressively. Today's risk-protection specialist at St. Joe is trained to minimize risk, not maximize coverage.

Such an outlook requires intense specialization. Therefore, at St. Joe, highly trained teams are assigned to each major risk protection area—commercial, personal and special.

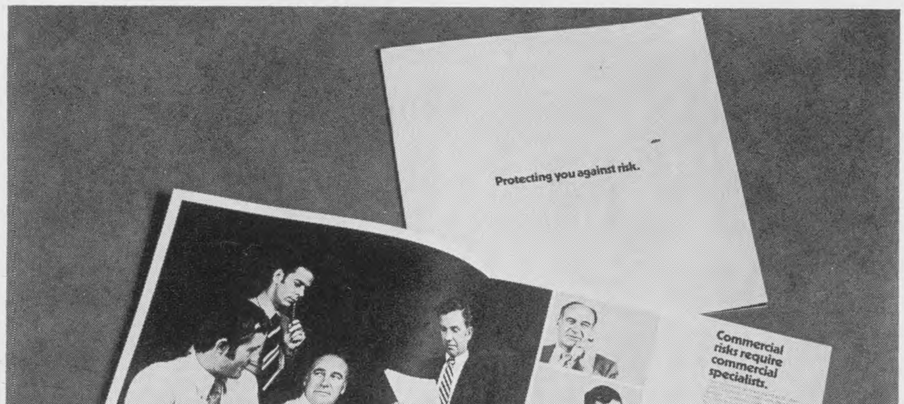
The department's size permits further specialization in day-to-day account-handling areas: claims, underwriting, engineering, and bonds, for example. Each of the 25 employees has a common goal—to direct a customer's problem to the right specialist to solve it. They deal with about 15 insurance companies to place their customers' risks and write every kind of insurance.

"Of course," Mr. Merchant says, "Our success as a division of the bank has been possible only because of the bank's young, aggressive top management. Management has given us a goal of profitability—and then given us the freedom to operate profitably by our own judgment as insurance specialists.

"That freedom has allowed us to make some decisions unusual for an organization of our size—like establishing an engineering department. We have two engineers, one a loss-prevention specialist, the other a construction and rate engineer.

"We have the freedom to make decisions that will give us the potential to handle future needs. That's why we've been able to keep in tune with the needs of our marketplace—and it's paid off in ever-increasing business.

"You can tell from our story that we at St. Joseph Valley Bank think insurance and banking work very well together," Mr. Merchant concluded. • •



This brochure is published by Elkhart's St. Joseph Valley Bank to help explain to new customers what bank's insurance division is and how it operates.

KBA Marketing Seminar To Be Held in Wichita

The Kansas Bankers Association will hold its bank marketing seminar at Holiday Inn Plaza, Wichita, on April 11-12. Theme of the seminar is "Kansas Grows With Bankaction."


WAITE

After registration and a "get-acquainted" social hour, the seminar will be opened by dinner speaker Arthur J. Holst, administrator, Forest Park Foundation, Peoria, Ill.

Breakfast speaker the next day will be Jack Lacy, executive director, Kansas Department of Economic Development. The remainder of the morning will be devoted to brainstorming in separate discussion groups.

Topics and leaders of the discussion groups will be: bank advertising—Bill Beckmeyer, vice president, First National, Salina, and Dave Baker, executive vice president, Central State, Hutchinson; customer surveys—Dr. Donald D. Christenson, Wichita State University; new bank services—Bill Staats, president, East Side National, Wichita; employee incentive programs and employee training—James Suderman, president, Midland National, Newton;

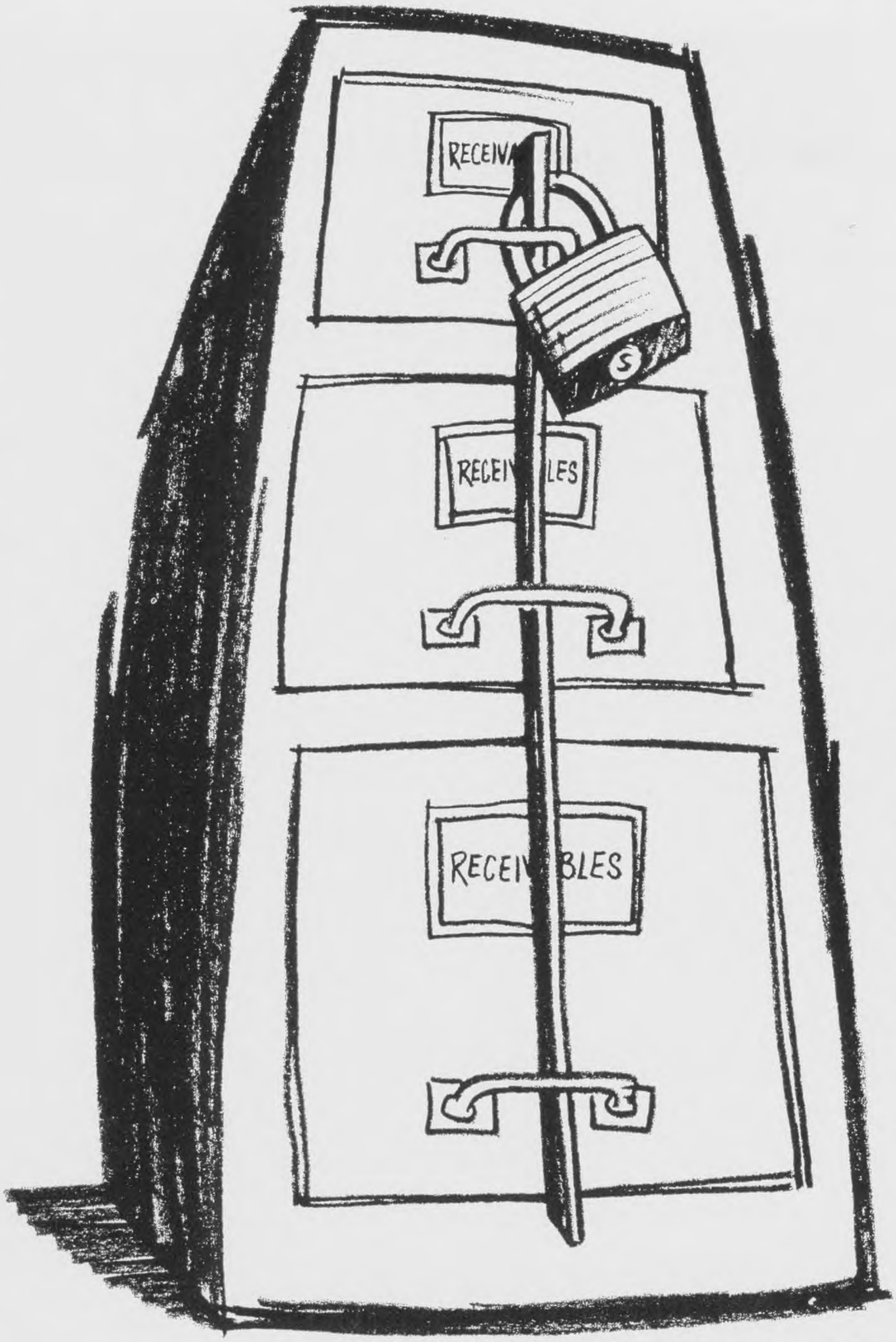
Officer-call program and new business development—Scott Woods, vice president, Hutchinson National; premium promotions and giveaways—Anderson Chandler, president, Fidelity State, Topeka; serving the agricultural community—Ron Sweat, vice president, Guaranty State, Beloit; and youth market—Dale Wallace, executive vice president, National Bank of Wichita.

Luncheon speaker will be Mrs. Mary George Waite, chairman and president, Farmers & Merchants Bank, Centre, Ala., and president of the Alabama Bankers Association. She will discuss "Personal-Touch Banking."

Asst. Cashier, Director Named At Security National Bank

KANSAS CITY, KAN.—Security National has elected Richard Sparks an assistant cashier in the consumer loan department. He has been with the bank five years and has served as messenger, head teller and in auditing and consumer loans.

Elected a director was Harry T. West, president of Anchor Savings Association. He replaces Ralph J. Duvall, who has resigned as a director.



Receivables aren't just paper and headaches. They're collateral for good loans, recycling financial resources. That is, they are with NYTCO's A. R. C. (that's short for Accounts Receivable Certification)

For more than 50 years, NYTCO has been the leader in third party collateral control of inventories through Field Warehousing and Inventory Certification Control.

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Bank Lending to Finance Companies Can Result in Profits or Workouts

By RICHARD E. EDWARDS

Vice President
Philadelphia National Bank
Philadelphia

This article is based on a talk given by Mr. Edwards at the annual fall conference of Robert Morris Associates.

FINANCE COMPANIES must have bank lines of credit to cover expansion, rotation, compensating balances, commercial paper and potential loss of credit lines.

Generally, only a portion of a company's lines of credit is used for expanding the loan portfolio. Another segment of bank lines is used for rotation. Banks request that each finance company be out of debt with them for a period of usually three months in every 12. This can occur at one continuous time or be split up into several periods, which, in the aggregate, meet the annual requirement. Obviously, a finance company does not pay a bank out of debt from general funds, but rather through borrowings from another bank. Thus, while one bank is out of debt and on rotation, another bank is extending credit. This practice is one of several idiosyncrasies under which finance companies operate.

Banks also require that a compensating balance be maintained on deposit with them at all times; thus, the third use of bank lines. The compensating balance is set at a certain percentage of the line of credit, generally 15%, and is on deposit with the bank at all times. There are other arrangements; some smaller finance companies pay 20% of the line; some larger ones pay 20% of the line when it is in use and 10% of the line when not in use. These funds can be either in the form of a demand deposit, non-interest-bearing time account, certificate of deposit or some composition of these three.

Most banks ask that the demand deposit be free of activity, which means a dormant account. From a yield point of view, it is preferable that balances be put into a non-interest-bearing time account or CD. The reason for this is that banks have a lower Federal Reserve requirement on time deposits than demand deposits; thus, the bank, in effect, receives more usable funds for other loans.

Since the commercial paper market is highly volatile, as the Penn Central Railroad bankruptcy proved dramatically, the requirement of having available unused lines of credit totaling 100% of the amount of commercial paper outstanding is protection for both the finance company and its creditors. It goes without saying, then, that coverage of commercial paper outstandings with unused lines is imperative. There is, however, a second consideration. Some companies that called on their banks for support during the commercial paper crisis found they could cover the runoff, but then discovered they could not rotate. This points to the fact that unused lines in excess of commercial paper outstandings are needed. Therefore, instead of blindly following the traditional concept of allowing unused lines to cover both commercial paper and rotation, we will scrutinize a company's bank lines more carefully in the future.

Lastly, lines of credit are used by finance companies to protect against potential loss of other lines. Finance companies generally keep lines of credit in excess of those they need to run their business. This particular form of "insurance" is desirable in any tight-money market.

Bank borrowings are rather expensive for the reasons mentioned above. They are a mainstay of senior debt in any finance company debt structure.

During the past several years, finance companies have made a reasonable profit despite the high costs of borrowings because they cut their expenses to the bone, consolidated branch offices and computerized their operations. Also during this period, subordinated debt issues began to mature and, for the most part, these were not replaced.

Why does the present atmosphere exist? The finance company industry has always enjoyed a fine relationship with its creditors. However, this relationship staggered when Atlantic Acceptance, Pioneer Finance, Mill Factors and Winter & Hirsch all failed. Since 1966 the financial community has been experiencing one of the most severe money shortages of the past several decades. This tightness of money, coupled with poor performances of some finance companies, made creditors lose confidence. These recent conditions have altered the course of creditor thinking. This was perhaps the first time creditors lost money in this industry.

Because subordinated debt still is not readily available at any price, we should all be concerned with leverage.

The leverage factor is governed by limitations written into the long-term indenture. It states that a company can leverage its senior debt up to a maximum amount. Leverage is perhaps one of the most important single elements in analyzing a finance company because this restriction controls the maximum amount of borrowings that a particular finance company can acquire. This becomes very important when considering the quality of a finance company. If the quality is not exceptionally good, then high leverage is not desirable.

Leverage becomes extremely important when a company gets into difficulty. There is a direct correlation between the quality of the portfolio and its liquidating value relative to the amount of debt the firm is able to obtain through the leverage factor.

The measurement of leverage, commonly called the debt ratio, is determined by calculating the relationship between total unsubordinated debt and the borrowing base. This, in effect, tells the analyst how much bank debt—and other debt ranking equal to the bank—there is in relation to each dollar of net liquid capital.

The debt ratio is perhaps the single most important ratio that can be calculated. Interestingly enough, all creditors do not agree on the amount of leverage that should be given individual finance companies. When a difference of opinion occurs, a bank, especially a lead bank, may adjust the company's leverage factor, usually downward. In effect, this means that if the company violates it, the bank has an option to extend or cancel its line of credit. It behooves every finance company to operate within its debt-ratio limitation entirely and never get into a position where it is in jeopardy. This is paramount in a tight-money market when base debt is not available at any price.

Since long-term lenders are reluctant to buy subordinated issues, debt ratios automatically will increase as base debt matures, provided, of course, that annually retained earnings are not at least equal to the base runoff.

The next obvious question is what portion of earnings were retained in the business. Cash dividends to consolidated net income explains, in effect, the company's dividend pay-out policy. If the company does not retain its earnings, but pays out a substantial amount in cash dividends, the debt ratio may increase as base debt matures. In this money market, therefore, it is important to at least match the maturing base debt with retained earnings in order to keep the leverage factor from increasing. When a company does not handle dividend pay-outs conservatively, future difficulty is the forecast.

Being realistic in today's money market demands that one must utilize all the knowledge available to ensure against making unwise credit decisions. Therefore, another step to credit analysis must be taken that goes beyond the normal academic approach. This step involves the on-site examination of the finance company's headquarters and branches. The importance of the on-site examination is to solidify and place in perspective information learned through the normal academic approach to analysis. It permits the creditor to learn firsthand the competency of management, internal controls and procedures used and company practices that are unproclaimed. When these facts are completely developed, the creditor will have a whole new outlook that was not available until the on-site examination was made.

Finance companies represent good business to banks—provided, of course, that banks have the sophistication to discriminate the weak from the strong. If they cannot make this determination, then they, too, are running the same risk other creditors have in the recent past. I can say truthfully that in my bank, where we have a very sophisticated profitability index measurement, the composite for finance companies is the highest. Needless to say, we have had a tremendous growth and a profitable relationship in this industry. • •

New Drive-In, Walk-Up Facility Opened by Drovers National

CHICAGO—Drovers National recently opened its new drive-in and walk-up facility with a week-long open house. During the same week, the bank celebrated its 89th birthday.

The new facility is a two-story, 15,000-square-foot structure connected with the main bank building by tunnel. It has seven drive-in stations that are connected with a teller center by pneumatic tube.

The drive-in stations and two walk-up windows are on the street level. On the lower level is an employee lounge and lunchroom and on the upper level, above the drive-in and walk-up stations, are offices housing the installment loan department.

NBT Corp., Tulsa, Earnings

TULSA—NBT Corp., holding company for National Bank of Tulsa, reports consolidated income for 1971 of $4.3 million, or $1.95 per share, compared to $3.7 million, or $1.65 per share, for 1970.

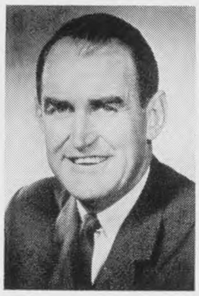
HC's Net Income Up

CHATTANOOGA—Hamilton Bancshares, Inc., has reported 1971 net income after securities gains and losses was $4.5 million, or $3.20 a share, compared with $4.2 million, or $2.94 a share, the previous year.

The Life Insurance Agent and the Banker

Cooperation Between Them Can Pay Off For Them and for Their Communities

FRANK E. SULLIVAN, C.L.U., was president of the 1967 Million Dollar Round Table of the Association of Life Underwriters. A director of St. Joseph Bank, South Bend, Ind., he is a recipient of the NCCI Brotherhood Award and past president of the South Bend Life Underwriters Association.


SULLIVAN

James B. Longley, LL.B., C.L.U. and also a bank director, is president of the 1972 Million Dollar Round Table. According to Mr. Sullivan, Mr. Longley's administration is taking giant steps to solidify the relationship between banks and successful life insurance practices referred to in this article.

By **FRANK E. SULLIVAN, C.L.U.**

Frank Sullivan Associates
South Bend, Ind.

ONE OF the most interesting public relations developments in the banking field has come about through an association between more than 110 banks in this country and the Million Dollar Round Table of the National Association of Life Underwriters. Known as the "Bank Recognition Program," this is a plan whereby banks (primarily through their trust departments) pay public honor each year to the men in their particular locales who qualify for the Million Dollar Round Table of the National Association of Life Underwriters.

Qualifying for the Million Dollar Round Table is a distinct honor that must be earned annually. In order to be placing those amounts of insurance, such men must be working with the more successful business and professional people in their communities. It is only natural that these people are the same men who attract the interest of bank trust departments. Therefore, the mutuality is obvious.

The Table Recognized. We thought it might be of value to review how this Bank Recognition Program started and where it stands today. Several years ago, N. Baxter Maddox, who was then senior vice president of First National, Atlanta, decided it would be appropriate for a major bank to pay honor to head members of the Million Dollar Round Table. His past indicated that he knew whereof he spoke, as he is a chartered life underwriter (C.L.U.) and a former general agent of the Connecticut Mutual Life Insurance Co. Because of this connection, he recognized the great area and cohesiveness that could and should exist between the two groups, and he felt that the third party's recognition was of much importance to the life underwriter who could not in modesty blow his own horn too loudly. And if it were blown by somebody who had an honest reason to be interested in the person's progress, then it was appropriate. Honestly, this does mean a great deal to every member of the Million Dollar Round Table. Most of us would be less than honest if we didn't say we were proud of being in this top 2% of all life underwriters, but we would be much less than humble if we tried to promote it ourselves.

Mutual Benefits. Since Mr. Maddox first came up with this idea, more than 110 banks have followed suit in some way, either with a bank recognition luncheon, dinner, newspaper ad or some variation thereof. Most of these have been quite successful, but there have been a few that seemed to be relatively unimpressive on both sides. In an attempt to study why this was true, we arrive at the "whys" of the Bank Recognition Program. Why did Baxter Maddox do this? I like to think that the reason for doing it might well be compared to the known fact that practically every life insurance agent buys substantially much more insurance after he becomes established in the business. This is not solely because his income increases, or because he gets it at a discount, but more likely because his education and understanding of the product become much greater, and, therefore, he sees the value of it. Because Mr. Maddox's early years were spent

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in the life insurance business, he recognized the important mutual role that banks and successful life insurance men should play in the financial structure of a community and the future of its citizens.

Justification. This is all well and good and certainly is desirable for the life insurance agent, and it may make life a little more pleasant for the trust department. But, what is the potential and what must the president of the bank or the trust officer be able to tell the stockholders when they ask about the substantial tab for a luncheon such as this? There is no area in which an accurate yardstick is more difficult to develop than in the area of referrals and mutual cooperation. However, I quote here from an article written by a Boston trust officer, which certainly indicates that if this program is properly developed and the proper understanding and cooperation are reached, then it is in the best interest of all concerned, including bank stockholders, for such programs to be continued. Kenneth Howes said: "Operation togetherness, as I choose to call this, has resulted in the sale of many millions of dollars of life insurance in the Boston area and has been responsible for creation of thousands of trusts for the Boston trust departments."

But can it continue, and will it continue? And if it continues, will it continue to grow? We say yes, that it can continue to grow and prosper, but it can do so only in a fertile field of mutual understanding. This leads us to our third point.

Cultivation. How can we both cultivate this fertile field? I will attempt here to put on both of my hats as a member of the Million Dollar Round Table and a bank director. I do so with the complete awareness of what can well happen to a man who starts advising people on subjects on which they are better informed than he, but I would like to take a chance and talk to bankers a bit about cultivating this fertile field of mutual understanding.

I developed a presentation for our estate planning council not too long ago under the heading of P + C = Co. —Participation plus Communication equals Cooperation. I'm convinced that if all members of the respective groups involved will participate in estate planning seminars in their local communities, work with their underwriters, their trust departments and their allied organizations, then this participation will create the dialogue of a communication that must exist between these groups, and the end result will be cooperation. I'm reminded of a situation I got into not too long ago that was resolved solely because of this dialogue. I had done a lot of work for a client in connection with a rather substantial purchase of insurance. One day his CPA called on the phone and said, "Frank, what in the heck are you trying to do? I don't understand your figures." Well, needless to say, I wasn't too happy to hear those remarks, but in retrospect I was much happier that he felt he knew me well enough to pick up the phone and tell me this than to tell the client. As it turned out, we resolved that things weren't quite as bad as he implied, but some of the information that the client himself had given me was not accurate. I'm convinced that had I not had this cooperation through our open line of communications, I would have lost this case and never known why, except to think that maybe some CPA or trust officer had not been my ally.

The Key Man

What can we do to help us cultivate this field? We've come to the conclusion that the key man in the development of all business in this area should be known as the catalyst, and it can be a different group represented each time. The man who gets things moving and keeps things moving is the catalyst. He may be the life underwriter who found the prospect; he may be the trust officer to whom the prospect first unloaded his problems; he may be the CPA who spotted a weakness in his balance sheets, or he may be the attorney who found these things out in attempting to draft his will.

Results of Cultivation. What results from this cultivation? Statistics prove more life insurance results from it because we do a better job when we do it on a professional basis and cover all of the liquidity needs. From the banking standpoint, certainly more business must result if we all do our jobs properly, and the quote from the Boston Trust Co. indicates this to be a fact.

And we must never forget the auxiliary business that we both get from the fact that satisfactory associations with a trust department of a bank are natural leads to the commercial loan department and various other aspects of banking, particularly in a full-service bank. We have found that the commercial loan department is on many occasions a more natural area for development of new insurance sales than even the trust department. We have been working hard in our area, and I would hope that all insurance men and all banks would work toward the day when it will be every bit as natural to protect a large commercial loan with life insurance as it has become to protect the personal mortgage on a home. *Life Association News* (August, 1967) published an article of mine on this subject. This is as great a service as we can both render to small business, so that it will be perpetuated in the event of an untimely death. Thus, the old cliché of the banker coming in and foreclosing will be a thing of the past.

What about 1972? A key subject on the agenda of most banks today is "Executive Counseling." I am doing some work with Continental Illinois National, Chicago, and am convinced that the well-trained life insurance man is still the best-qualified person to bring the "qualified" executive into a bank for counseling.

Compatibility. I guess this leads us to the point where I think we should ask candidly, "Are we compatible?" I hope this would be a moot question. It is true that there are areas of the pension and profit-sharing business where we are competitors. However, if we keep these defined as to what our respective services are and are not afraid to tell one another that there'll be places where we'll compete, the area of concern here can be nil.

From the standpoint of our service to the general public, and that which we can render in the best professional concept of each group, we are required not only to be compatible, but to be very cohesive in our thinking. I believe that the two of us together, the trust department of a bank and a substantial salesman of life insurance, represent the greatest combination to combat the ravages of inflation on the estates of those who die before their time. Certainly, there is nothing to match life insurance as an enemy of inflation in the event of an untimely death. And if the amount of life insurance is large enough, there is nothing stronger to combat the ravages of inflation after death than a well-managed trust account. • •

Kidnap Insurance Offered

Scarborough & Co., Chicago-based bank insurance firm, has announced it is offering kidnap/ransom insurance by means of a special endorsement to the bankers blanket bond. Purpose of the endorsement is to eliminate gaps that might exist under coverage provided by the bond for losses of this nature.

The endorsement would extend the blanket bond protection to cover loss of bank funds used as ransom to gain the release of a banker's family member held hostage by kidnappers.

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INSURANCE

Credit Life Sales Can Be Increased If Management Is Behind Concept

By JIM FABIAN
Associate Editor

MOST BANKERS will agree that credit life and accident and health insurance coverage is a good thing—good for the borrower because it puts his mind at ease over repayment of a loan in case of death or disability, and a good thing for the bank because it gives loans that extra measure of protection.

Despite the fact that this coverage is acknowledged to be beneficial for all concerned, it is not being fully utilized by loan officers. It has been estimated that only slightly more than half the installment loans made by commercial banks include credit coverage.

What can bank managements do to assure more credit life sales? MID-CONTINENT BANKER queried credit life underwriters for their views on this much-discussed topic. The recommendations of responding firms follow.

Walter Birmingham, director of creditor agencies for National Fidelity Life Insurance Co., Kansas City, states that bank management must really be convinced that credit life coverage is advantageous before it can expect to promote credit life sales successfully. Bank personnel and customers must be made aware of the important service this coverage affords. When this is accomplished, good penetration should result.

Mr. Birmingham recommends the offering of life and/or accident and health coverage to all eligible borrowers (providing the bank writes accident and health). This dual offering protects against selection, which results in adverse loss ratios. If coverage is offered only to those customers requesting it, poor loss ratios are certain to occur, he says.

Many firms recommend that all payment quotations to customers include the cost of credit life and accident and health coverages. However, bank personnel are cautioned to be sure they point out that the quotation includes these extras. Then the customer can decide if he wants to take the coverage.

National Fidelity Life has extended credit life limits from five or seven years to 10 years and raised the coverage limit to exceed the normal $10,000 provision, to enable mobile home loan seekers to receive credit life coverage.

Customers should be made to realize that credit life coverage is often more economical than other types of coverage they may have in mind, says W. Ralph Pace, vice president, Cherokee National Life Insurance Co., Macon, Ga. Borrowers should be reminded that the coverage increases the payment by only a small amount, therefore it seldom causes hardship, Mr. Pace says.

He continues that if a customer is not given the opportunity to buy credit life and subsequently dies during the period of the loan, the bank officer is negligent, not only to the borrower but to the bank.

Customers should not assume that credit life is included with a loan. If the bank loan officer says nothing about credit life, it is reasonable to conclude that the borrower expects the coverage to be included in the payment price, Mr. Pace says.

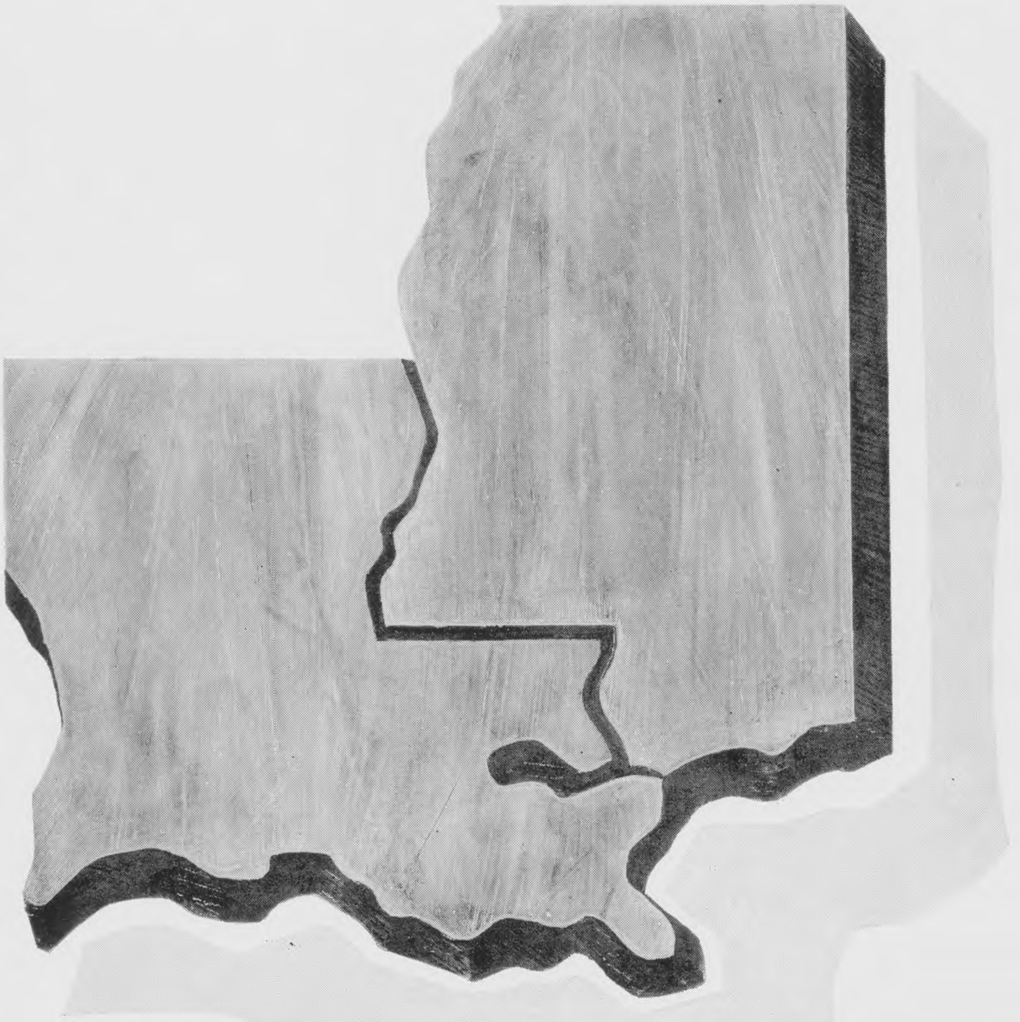
A good slogan for loan officers to keep in mind is "A debt should never outlive its maker," he says.

Bankers will sell more credit life coverage if they are truly interested in helping others, says Paul Helein of Insurance Enterprises, Inc., St. Louis. He also reminds bankers that they will seldom have to go through the experience of calling on a widow to collect a loan payment if they push credit life consistently.

Bankers should take advantage of joint credit life programs that cover both husband and wife as well as the accident and health programs that provide for monthly payments when the borrower is sick or disabled, he says.

Fred J. Moss Jr., American National Insurance Co., Galveston, Tex., calls attention to the fact that commercial borrowers are often overlooked regarding credit life coverage. And some installment loan departments neglect to offer credit life to borrowers taking out small amounts to be repaid in lump sums.

Mr. Moss also states that many banks do not seek to place coverage in connection with installment loans that carry balloon payments or loans that



have irregular repayment schedules. Although these loans might require a slightly more complex procedure to determine premium amounts, they should not go uncovered, since the borrowers taking these types of loans are often those who most need the supplementary security the insurance affords.

Banks should keep track of insurance sales with daily records, kept up-to-date by loan officers, says M. DeLeon Britt, vice president, Integon Life Insurance Corp., Winston-Salem, N. C. Loan officers should report their progress in selling credit life or credit accident and health to the heads of their departments, who in turn can determine which loan officers are doing the best job in selling the coverages. Report forms should include space for stating why a borrower has declined coverage.

Most bankers are accustomed to writing coverage on loans of smaller amounts, but they often overlook writing coverage on commercial accounts that involve large sums, says Earl R. Whaley, vice president, Appalachian National Life Insurance Co., Knoxville, Tenn.

Appalachian National offers a plan that calls for a table of premium rates graded in five-year brackets. The application has been reduced down to five or six health questions and, if the borrower is in normal health, the firm can issue up to $50,000 of coverage without a physical examination. Amounts in excess of $50,000 can also be covered by utilizing a short-form medical examination.

Mr. Whaley says a banker can be missing a good bet by not selling level-term insurance on installment notes. The premium rate for level-term credit life is usually about double that charged for decreasing life. In most states it is permissible to write level-term coverage on installment notes as long as the initial amount of the coverage does not exceed the initial amount of the loan.

The amount of credit life premium is usually small on loans of this type and the customer is usually glad to get the extra protection, according to Mr. Whaley. The policy has a facility of payment clause and, in the event of the death of an insured borrower who had level-term protection on a decreasing note, Appalachian National would pay the loan off and any balance would be turned over to the surviving spouse or the borrower's estate.

Banks that have stressed the selling of credit life have found sales increasing once their loan officers have been thoroughly indoctrinated on the benefits of the coverage.

First National, Memphis, asked its loan officers to establish goals for selling credit life. It found that the goals each officer established were higher than management would have imposed, had it set the goals. Some officers surpassed the goals they set, a few by as much as 100%. This success story was attributed to progressive communication between management and staff.

When the positive aspects of credit life coverage are fully understood by banker and customer, the percentage of borrowers including this coverage can be expected to rise dramatically. • •

First Nat'l Charter Earnings

KANSAS CITY—Net income after securities transactions for First National Charter Corp. was $5.7 million, or $4.34 per share, in 1971, versus $6.5 million, or $4.89 per share, in 1970. The holding company controls seven banks, including First National, Kansas City.

HC's Earnings Up

NEW ORLEANS—New Orleans Bancshares, Inc., of which Bank of New Orleans is a subsidiary, reported 1971 earnings of $1.9 million, or $9.28 a share, compared with $6.85 a share in 1970.

At their annual meeting April 11, the HC's stockholders will vote on a proposed 3-for-1 stock split.

Chase Reports Higher Earnings

NEW YORK—Chase Manhattan Corp. has announced consolidated income of $147.7 million for the year ended December 31, 1971. This amounted to $4.63 per share, compared with $4.37 per share for 1970. Net income was $4.43 per share, compared with $3.85 per share for 1970.

Total assets at year end were $24.5 billion.

Deposits, Loans, Resources Up; Income Down at Chicago HC

CHICAGO—American National Corp., one-bank HC for American National Bank, has reported continued growth in deposits, loans outstanding and total resources, but a decline in earnings for the first time in 24 years.

Year-end 1971 deposits were up 10% to $935 million from the 1970 figure of $847 million; average loans outstanding during the past year were up 9% to $509.7 million, compared with $467.7 million in 1970, and total resources reached $1,124 million, up 5.6% from the $1,064 million of 1970.

Net income after securities gains or losses last year was $8.8 million, compared with $9.8 million the previous year.

INSURANCE

How a South Dakota Bank President Became a Million-Dollar Life Agent

By KATHY FLOOD
Assistant Editor

HOW DOES a banker, in a town of about 2,000 people, become a million-dollar life insurance agent? In the case of C. F. Stilgebouer, former president, First Potter County Bank, Gettysburg, S. D., the inspiration was simply "the needs of my customers and of my community."

In 1959, beginning on February 1, Mr. Stilgebouer wrote a total of $1,025,000 of life insurance. In the first six months of 1960, by July 1, he had written more than $1,250,000.

In the small community of Gettysburg, the banker found himself to be "a godfather, a genius, a conspiring devil, an investment counselor and, best of all . . . just a good personal friend" to his customers.

The insurance needs of these bank customers and the failings and inadequacies of some life insurance salesmen were the reasons that prompted Mr. Stilgebouer to become a life agent.

He says, "As a banker, I became appalled at the inadequacy of the average salesman. He either didn't know his business or he flagrantly forgot his principles in order to make a sale. Heads of households were left unprotected so that newborn babies could have fancy 10-year annuity policies. Bereaved mothers found themselves left out in the cold because a beneficiary designation had not been changed 20 years before when she married her now deceased husband. Policies had lapsed because proper attention was not paid to them by the agents who sold them originally. Lack of coverage for estate purposes was ignored by salesmen, either through indifference or ignorance. These and many other discrepancies motivated me to take steps to remedy the situation."

Before February 1, 1959, Mr. Stilgebouer had not had any life insurance training. He comments, "I didn't know the front end of a manual from the back. To me, cash value was only a term for credit purposes. I couldn't figure a rate on the simplest policy."

Mr. Stilgebouer admitted the life insurance business to be hard work. However, he says, "Financial success that is not gained by hard work and planning leaves the life insurance man with little satisfaction. The knowledge that his accomplishments have benefited his fellow men is as important as the increase in his bank account."

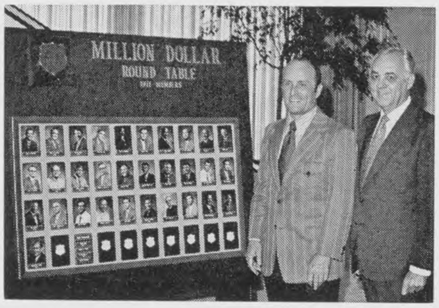
Years of banking had prepared Mr. Stilgebouer for the basic reasoning and analysis needed in a sales approach. He says, "I had worked with trusts. I knew what had to be done. About all I needed to know was what type of policy did what type of job. After I had carefully studied this out, I had the knowledge to talk intelligently, to plan constructively and to come up with the solution that fit the problem."

Mr. Stilgebouer said he did not use a dramatic or sensational sales pitch in approaching his customers. He simply analyzed a person's need, discussed with him how much life insurance he needed and advised the proper coverage. "I believe that it was the very simplicity of my method that made it as successful as it was," he explains.

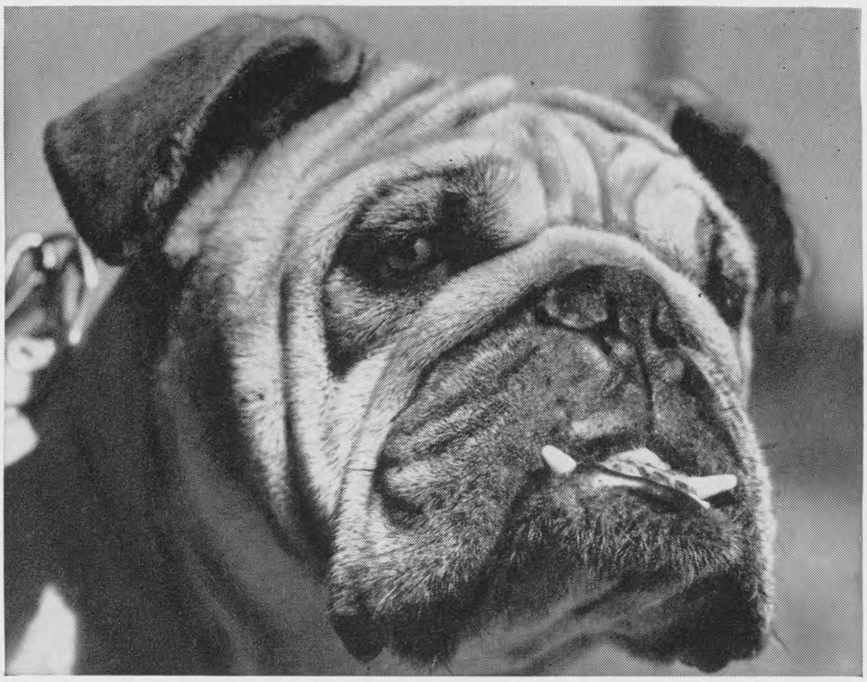
In discussing how he went about

C. F. Stilgebouer is a retired president of First Potter County Bank, Gettysburg, S. D., a town of about 2,000 population. While at the bank (then a $6-million institution), he became concerned about the inadequacy of the life insurance programs of his customers, decided to do something about it and became a million-dollar life insurance producer! Mr. Stilgebouer now lives in Elmwood, Neb.

Bank Salutes Life Underwriters



One of several life underwriter-related programs currently being conducted at First National, Fort Worth, is this display of area life underwriters who qualified for the Million Dollar Round Table. Shown with the display are Don Davis (l.), CLU and coordinator for Fort Worth MDRT activities, and Larry Willcoxon, First National tr. off. Other projects of the bank's trust department include an estate-planning seminar series for agents of Fort Worth insurance companies and a life underwriter newsletter.



closing a sale, Mr. Stilgebouer said that in most cases, the customer recognized his own insurance need and closed the sale himself.

Mr. Stilgebouer commented, "They (insurance customers) respected me, not only because I was a banker or because I had presented the logical and factual information, but also because they knew I was advising them as a friend.

"I will admit, of course, that at times the more conservative person needed a little prodding, but I was amazed to find that even the most conservative individual is not too hard to sell when he becomes convinced that what you have to offer is for his own good and that you have his best interests at heart." • •

Banks Win Settlement

A $1.3 million judgment has been entered by the Federal District Court in London, Ky., in favor of Corbin Deposit Bank and Bank of Williamsburg. The banks claimed they were victims of a link-financing scheme. Under terms of the judgment, Seaboard Corp. must pay the banks $200,000 and the bond firm—St. Paul Fire & Marine Insurance Co.—must pay $1.1 million.

Attorneys for the banks said the litigation resulted from losses in the amount of $1,430,000 that resulted from loans made to individuals and corporations in Los Angeles, Las Vegas and New York. Funds from which the loans were made were supplied by brokered CDs furnished by Seaboard Corp. and affiliates.

The banks claimed that the CDs, issued to persons residing in 23 states outside Kentucky, were unenforceable because they arose out of a scheme and conspiracy to defraud the banks. The banks also claimed they were entitled to recover on a fidelity bond issued by the bond firm.

The court case was unusual in that it struck at the validity of the nationwide brokered CD business commonly called "link financing," which has caused numerous bank failures.

The judgment determined that directors of the banks were free of negligence.

Indiana Nat'l Reports Earnings

INDIANAPOLIS—Indiana National Corp., holding company for Indiana National and other subsidiaries, estimates consolidated net income for 1971 at $9.9 million, or $6.35 per share, compared with 1970 figures of $10.1 million, or $6.40 per share—a decrease of less than 1%.

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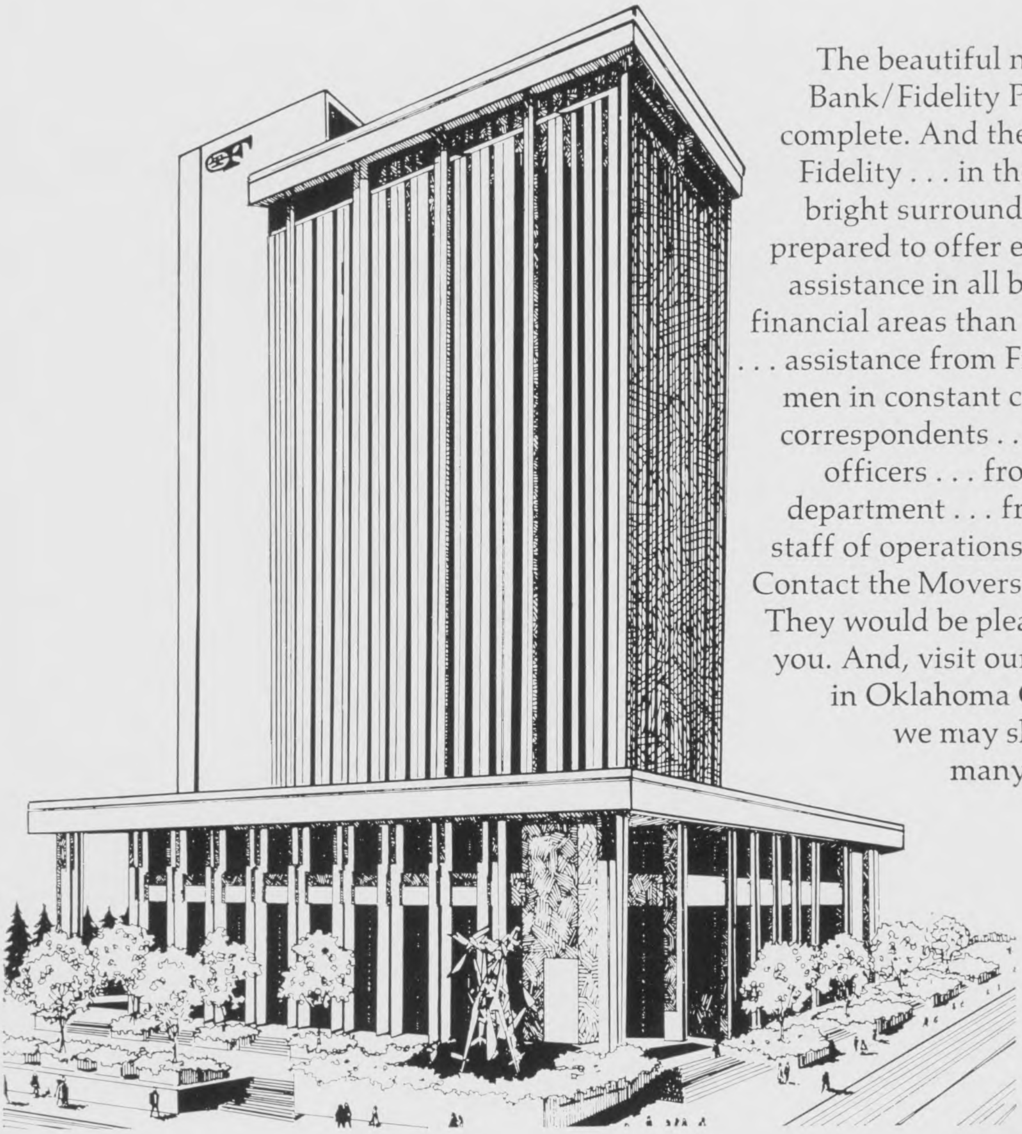

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A Controversial Fed Ruling:

Granting Certain Insurance Activities to Bank HCs Stirs Ire of Independent Insurance Agents

By ROSEMARY McKELVEY

Managing Editor

THE FEDERAL Reserve Board opened up certain types of insurance agency activities to bank holding companies last August by issuing a ruling that became effective September 1. The Fed's action produced consternation among independent insurance agents. In fact, a spokesman for the National Association of Insurance Agents believes it means a "fight for survival" among independent insurance agents. And the NAIA is backing this fight with an organized drive to raise $500,000 to accumulate funds to finance legal and legislative actions the NAIA believes necessary to "protect independent agents from unfair methods of competition." The NAIA—at its annual convention in September—set up a Producers Action Fund, into which contributions toward the $500,000 goal are being made. MID-CONTINENT BANKER editors learned that, as of last month, about half this money had been collected.

Last August 10, under the 1970 amendments to the Bank Holding Company Act of 1956, the Fed announced that bank HCs could engage in certain types of insurance agency activities. The new amendment added such activities to the list of businesses the Fed has found "to be so closely related to banking or managing or controlling banks as to be a proper incident thereto." Earlier, the FRB had determined eight other activities to be "closely related" to banking under Section 4(c)8 of the act.

Under the September 1st amendment, bank HCs may act as insurance agents or brokers in offices in which the HCs or their subsidiaries are located (or in adjacent offices) so long as they handle insurance for themselves and their subsidiaries; sell insurance that is directly related to credit or financial service or sell insurance as a matter of convenience to purchasers. However, bank HCs can handle all types of coverage in communities with populations of not more than 5,000 or in communities where the HCs demonstrate there are inadequate insurance agency facilities.

When it issued this amendment, the FRB said it expected HCs or subsidiaries that engage in the insurance agency business would exercise fiduciary responsibilities. That is, they would try their best to obtain insurance at the lowest practicable cost to their customers.

The board acted on insurance agency activities after considering public comments and the record of a hearing held before FRB members last May 12. Insurance agency business was one of 10 activities proposed by the board January 25, 1971, when it outlined plans to amend Regulation Y as a first step toward implementing the 1970 amendments to the act.

The original proposal would have permitted bank HCs to act as insurance agents or brokers principally in connection with extensions of credit by holding companies or any of their subsidiaries. In the amendment announced last August and which became effective September 1, the FRB spelled out in more detail the types of insurance agency activities it found to be closely related to banking.

In a related matter, the Fed also considered, but decided not to adopt at that time, a general regulatory provision regarding insurance underwriting activities as closely related to banking.

The Fed's August 10th regulation required public notices and hearings before bank HCs could acquire insurance agencies. On August 24, the Fed dropped the requirement for public notices and hearings.

Then, last December 22 the Fed proposed a regulation that would give it greater authority to reject requests for public hearings on bank HC applications for new subsidiaries in cases where applications are contested. This would be accomplished by including in the HC rules a presumption that bank HC entry into de novo activities is in the public interest.

The new rule would apply to all de novo bank-related activities *except* where they involve sale of insurance in communities where HCs are seeking entry because of claims that the areas had inadequate insurance facilities. In such cases, said the Fed, HCs still would have to prove valid their claims that additional insurance facilities are needed.

The new procedure also would require that notices of proposed de novo expansions be published in local newspapers—a requirement originally in-

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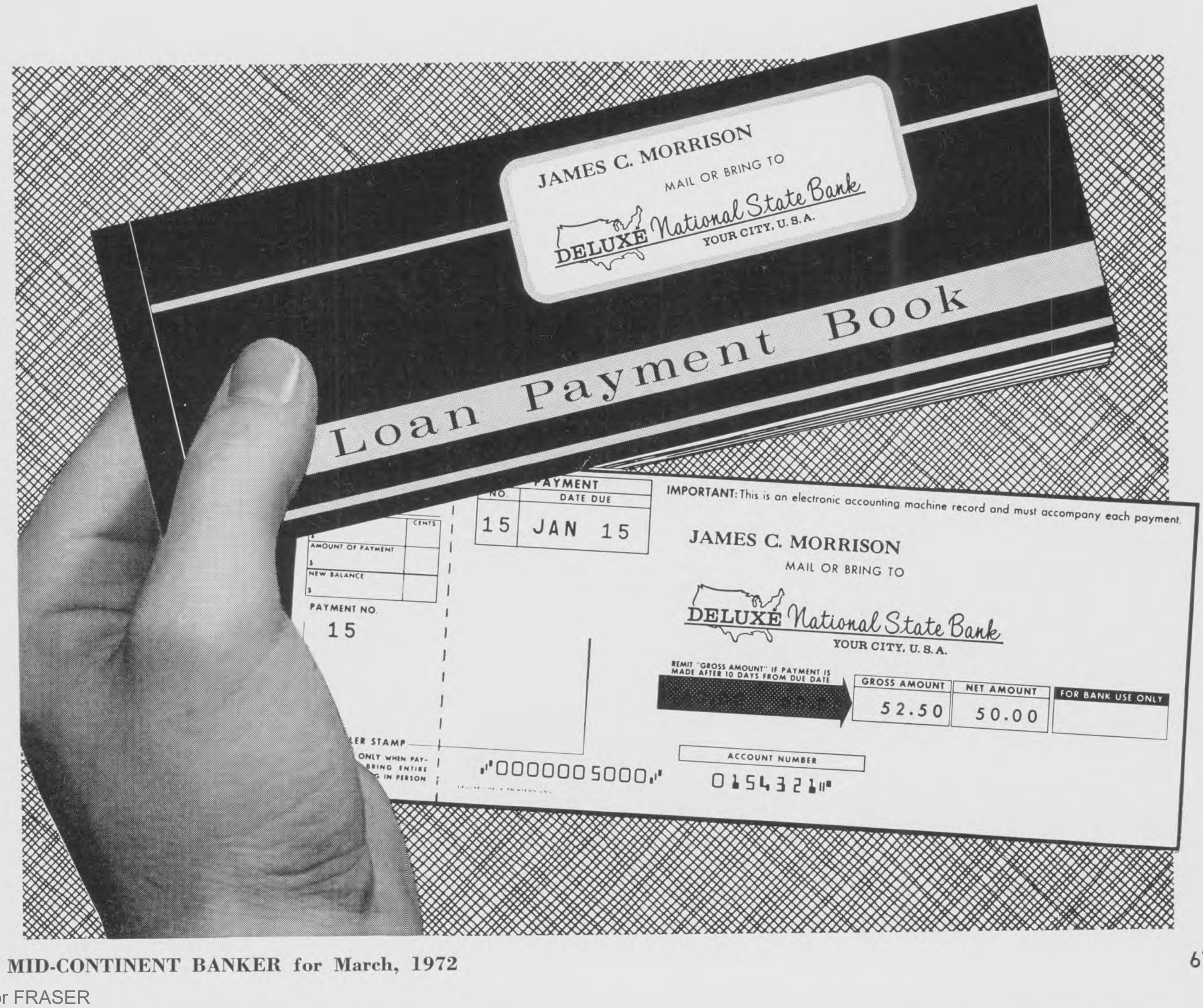

cluded in the Fed regulations, but dropped.

John F. Neville, NAIA general counsel, said on December 29 that the December 22nd proposal of the Fed is a "mixed blessing" for independent insurance agents. According to Mr. Neville, the proposed procedure "recognizes that insurance agents, as well as other small businessmen and the public, have an important role in the board's determinations as to whether bank holding companies can engage in those activities determined to be closely related to banking."

"We view the proposed regulation as a mixed blessing," continued Mr. Neville. "On the one hand, the board has reversed its previous stand and, by requiring newspaper notice in all cases of de novo entry into insurance agency activity, has recognized that insurance agents, as potential competitors, play an essential role in the board's determinations as to whether bank holding companies should be allowed to engage in insurance agency activities.

"On the other hand, the board seeks to eliminate two important rights guaranteed by the 1970 legislation. By making a general determination that de novo entry meets the public benefits test of S 4(c)(8), the board removes the burden of proof imposed by the 1970 amendments upon the applicant bank holding company. By making a hearing dependent on the board's discretion in all cases of de novo entry, the proposed regulation denies the right to an opportunity for hearing specifically guaranteed to all potential competitors. In issuing the proposed regulation, the board also apparently continues to ignore other factors which it is required by S 4(c)(8) to consider in making its determinations, such as unfair competition, conflicts of interest and unsound banking practices."

The NAIA hopes, said Mr. Neville, that the Fed will "rectify its error" before promulgating the regulation in its final form.

At the same time, Harry C. Parrish, NAIA president, in a speaking tour across the country, appealing to independent agents to support the NAIA's Producers Action Fund, described the latter as money to support the agents' "fight for survival."

Mr. Parrish told his audiences that the crisis facing those in the insurance agency business today is of such proportions that they may well be out of business within the next few years.

"Our battle," he said, "is with the banks, savings and loan associations and a variety of other financial lending institutions. It is not the fear of 'fair competition,' but actual unfair practices of some of these lending institutions which has prompted the battle.

"It is a fact that some lending institutions do practice coercion in the sale of insurance; they do discriminate in the total cost of their services; they do practice the 'tie-in' sales of insurance when lending money; they do invade the privacy of our customers' files in order to compete unfairly."

Mr. Parrish also charged some lending institutions with using holding company and affiliated agency devices, with using subtle techniques and different standards, with setting arbitrary and capricious requirements that apply only to outside agencies—never their own. They are dedicated to putting independent agents out of business, he stated flatly.

On February 9, the NAIA—in a comprehensive statement filed with the Fed's Board of Governors—urged the board to rescind its December proposal on de novo entry into the agency business by bank HCs and asked that such activities be subject to the "public test" procedures presently required for "acquisitions" of general insurance agencies.

Along with this action, Mr. Neville proposed a number of safeguards pertaining to insurance agency activity by bank HCs:

1. No insurance can be solicited until the borrower receives a loan commitment in writing.

2. All loan forms and all insurance solicitation materials must contain the following notice in capital and lowercase letters of not less than 12-point bold-face type on one side of a separate statement which identifies the transaction to which it relates: "Notice to the Borrower Required by Federal Law:

Insurance Related to Any Transaction May Be Purchased From an Insurance Agent of the Borrower's Choice."

3. The lender may require the borrower to provide a certificate of insurance, or the lender may require the borrower to present an insurance policy for inspection, but it may not copy or retain that policy.

4. The data contained on the policy of insurance will not be used by the bank HC or any of its subsidiaries in making insurance premium quotations or otherwise soliciting insurance, or for any other purpose, except extension of credit.

5. The lender's requirement or notice that insurance must be kept in force will not be coupled with, or referred to, in any solicitation for insurance, and any such solicitation for insurance shall not refer to the lender's aforesaid requirement or notice.

6. No notice by the lender that insurance must be kept in force shall state, or imply, that insurance must be placed with an affiliated agency, and no forms to accomplish a change of agent shall be sent by the lender, or sent by its insurance agency affiliate, unless requested by the borrower in writing.

7. Where the borrower has filed with the lender a written notice identifying for the lender the borrower's insurance agent/broker of record, the lender shall furnish to the agent/broker a copy of each communication from the lender to the borrower concerning insurance written by that agent/broker until the borrower changes its agent/broker, as provided above in this regulation. • •

Five Bank HCs Ask Fed's OK To Enter Credit Life Field; Hearing Scheduled March 24

HEARINGS on five applications of bank holding companies to enter the credit life insurance field will be heard March 24 by the Board of Governors of the Federal Reserve Board. If approved, the firms would enter the business through acquisition or establishment of credit life companies. This credit life activity, if okayed by the Fed, would cover situations where banking firms operate credit life companies as underwriters or reinsurers.

The firms seeking Fed approval are:

• Hamilton Bancshares, Inc., Chattanooga, Tenn., which wants to form a credit life reinsurance company to be called Bankshares Life Insurance Co. It would be wholly owned and would offer credit life insurance only to customers of the HC's subsidiary banks, not to correspondent bank customers of member banks.

• Fourth Financial Corp., Wichita, which has applied to retain its interest in Fourth Financial Insurance Co., Phoenix, an underwriter that now provides reinsurance for Fourth Financial's banking subsidiary.

• First at Orlando Corp., Orlando, Fla., seeks to acquire all the shares of capital stock of a company to offer credit life and disability insurance through credit-extending subsidiaries of the HC. The service would not be offered to correspondents.

• Northwest Bancorp., Minneapolis, which wants to acquire and operate Banco Credit Life Insurance Co., Phoenix.

• Equipmark Corp., Pittsburgh, which has proposed buying Atlantic-Phoenix Life Insurance Co., Phoenix, a firm that now reinsures policies written by the Atlantic Management Corp., a wholly owned finance company of Equipmark.

In addition, the Fort Worth National Corp., a holding company that owns Fort Worth National Bank and other subsidiaries, has filed an application with the State Board of Insurance to form a company to write life insurance for its affiliates. • •

First Union Earnings

ST. LOUIS—First Union, Inc., announced consolidated net income of $12.5 million for 1971, or $4.98 per share, compared with 1970 figures of $12.2 million, or $4.92 per share. Total deposits have exceeded the billion mark for the first time.

Mills Promoted to Senior VP At Merchants Nat'l, Topeka

TOPEKA—Merchants National promoted William M. Mills Jr. from vice president and trust officer to senior vice president and trust officer.

Mr. Mills became the bank's first trust officer in 1956, after leaving the private practice of law. He has been a director since 1959.

The bank also elected Dan R. Bonine agricultural representative and Ed Marchant Jr. operations officer, assigned to the trust department. Mr. Bonine, who joined the bank last year, serves in the agricultural service department and correspondent bank department. Mr. Marchant has been with the bank since 1967.

■ DAVIS B. BARNETT has joined United Bank of Chattanooga as an assistant vice president in the installment loan and new business departments. He formerly was assistant manager, Park Central Branch, American National, Chattanooga. He had been with that bank four years.

INSURANCE

At First National City—

A Term Life Insurance Plan Designed to Boost Savings

A TERM LIFE INSURANCE plan now in operation at New York City's First National City Bank apparently is a combination new business-getter and customer-service program. The plan is underwritten by Connecticut General Life Insurance Co. and was arranged by Johnson & Higgins, New York City insurance brokerage firm.

Called "Savings Plus Life Insurance," the plan should be attractive to many people who ordinarily may not be able to obtain life insurance because no physical examination is necessary. Insurance is issued, regardless of their health, to all depositors eligible on the starting day of their insurance. The bank doesn't receive any commissions or service fees for handling premium payments; it acts merely as a remitter of premiums.

The plan is open to anyone between 15 and 60 who has a regular savings or golden passbook account that earns at least $2.50 in quarterly interest. Amount of coverage—$15,000 is the maximum—depends on a person's age and amount of interest earned by his savings account. If he is under 30, his premium pays for protection about seven times greater than his average savings balance (up to the plan's limits). For example, a 23-year-old person with a regular savings account earning 4½% a year with an average quarterly balance of $600 would be insured for $4,100. (See table at right.)

After applying for policies, savings customers must wait 30 days. Coverage begins on the first day of the following calendar quarter; that is, on January 1, April 1, July 1 or October 1.

The minimum premium is $2.50 and the maximum is $11, $15 or $20, depending on the policy-holder's age. With a savings account earning 4½% interest, a person would have to maintain an average quarterly balance of $225 to qualify for the plan. Usually, 50% of the quarterly premium is deducted; however, for quarterly balances under $499, the deduction is more than 50%.

If a savings account has earned at least $2.50 in quarterly interest, the premium is deducted and sent to the

Schedule of Premium Remittances and Amount of Insurance

Quarterly Interest Credited to Insured's Account	Quarterly Premium Remittance	Age in Years Last Birthday: 15 But Less Than 30	30 But Less Than 40	40 But Less Than 45	45 But Less Than 50	50 But Less Than 55	55 But Less Than 60	60 But Less Than 65
		Amount of Insurance						
Less than $ 5.99	$ 2.50	$ 3,300	$ 2,500	$ 1,500	$1,000	$ 700	$ 400	$ 300
$ 6.00 — 6.99	3.00	4,100	3,000	1,800	1,200	800	500	350
7.00 — 7.99	3.50	4,700	3,500	2,100	1,400	900	600	400
8.00 — 8.99	4.00	5,400	4,000	2,400	1,600	1,100	700	450
9.00 — 9.99	4.50	6,100	4,500	2,600	1,800	1,200	800	500
10.00 — 10.99	5.00	6,800	5,000	2,900	1,900	1,300	900	550
11.00 — 11.99	5.50	7,400	5,500	3,200	2,100	1,400	950	650
12.00 — 12.99	6.00	8,100	6,000	3,500	2,300	1,600	1,000	700
13.00 — 13.99	6.50	8,800	6,500	3,900	2,500	1,700	1,100	750
14.00 — 14.99	7.00	9,500	7,000	4,100	2,700	1,800	1,200	800
15.00 — 15.99	7.50	10,100	7,500	4,400	2,900	2,000	1,300	850
16.00 — 16.99	8.00	10,800	8,000	4,700	3,100	2,100	1,400	900
17.00 — 17.99	8.50	11,500	8,500	5,000	3,300	2,200	1,450	950
18.00 — 18.99	9.00	12,200	9,000	5,300	3,500	2,400	1,500	1,000
19.00 — 19.99	9.50	12,800	9,500	5,600	3,700	2,500	1,600	1,100
20.00 — 20.99	10.00	13,500	10,000	5,900	3,900	2,600	1,700	1,150
21.00 — 21.99	10.50	14,200	10,500	6,200	4,100	2,800	1,800	1,200

Quarterly Interest Credited to Insured's Account	Premium — Age in Years Last Birthday: 15 But Less Than 30	30 But Less Than 40	40 But Less Than 65	15 But Less Than 30	30 But Less Than 40	40 But Less Than 45	45 But Less Than 50	50 But Less Than 55	55 But Less Than 60	60 But Less Than 65
$22.00 — $22.99	$11.00	$11.00	$11.00	$15,000	$11,000	$ 6,500	$4,300	$2,900	$1,900	$1,250
23.00 — 23.99		11.50	11.50	15,000	11,500	6,800	4,500	3,000	1,950	1,300
24.00 — 24.99		12.00	12.00	15,000	12,000	7,100	4,700	3,200	2,000	1,350
25.00 — 25.99		12.50	12.50	15,000	12,500	7,400	4,900	3,300	2,100	1,450
26.00 — 26.99		13.00	13.00	15,000	13,000	7,600	5,100	3,400	2,200	1,500
27.00 — 27.99		13.50	13.50	15,000	13,500	7,900	5,300	3,600	2,300	1,550
28.00 — 28.99		14.00	14.00	15,000	14,000	8,200	5,400	3,700	2,400	1,600
29.00 — 29.99		14.50	14.50	15,000	14,500	8,500	5,600	3,800	2,500	1,650
30.00 — 30.99		15.00	15.00	15,000	15,000	8,800	5,800	3,900	2,550	1,700
31.00 — 31.99			15.50	15,000	15,000	9,100	6,000	4,100	2,600	1,750
32.00 — 32.99			16.00	15,000	15,000	9,500	6,200	4,200	2,750	1,850
33.00 — 33.99			16.50	15,000	15,000	9,700	6,400	4,300	2,800	1,900
34.00 — 34.99			17.00	15,000	15,000	10,000	6,600	4,500	2,900	1,950
35.00 — 35.99			17.50	15,000	15,000	10,300	6,800	4,600	2,950	2,000
36.00 — 36.99			18.00	15,000	15,000	10,600	7,000	4,700	3,050	2,050
37.00 — 37.99			18.50	15,000	15,000	10,900	7,200	4,900	3,150	2,100
38.00 — 38.99			19.00	15,000	15,000	11,200	7,400	5,000	3,200	2,150
39.00 — 39.99			19.50	15,000	15,000	11,500	7,600	5,100	3,300	2,250
40.00 or more			20.00	15,000	15,000	11,800	7,800	5,300	3,400	2,300

This is table First National City uses to determine premium payments and amounts of insurance under its "Savings Plus Life Insurance Plan."

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underwriting firm, Connecticut General, which renews and recalculates the policy. Because the entire process is computerized, the customer never has to bother with remembering dates or paying bills.

Should a savings account fail to generate interest of $2.50, the owner's participation in the plan automatically ceases. To rejoin, he must reapply. However, if a savings account doesn't generate $2.50 in the first quarter of participation, the customer will be given one more complete quarter to generate sufficient interest.

Those participating in the plan can make withdrawals from their savings accounts subject to withdrawal rules of the particular account. A customer's quarterly policy currently in effect is not affected by the withdrawals, but the next quarter's coverage may be reduced. If a savings account is closed, the owner's current coverage will terminate at the end of that quarter. If he opens a savings account at a later date, he must reapply to rejoin the plan.

Each quarter, Connecticut General sends attachments to policies to the customers, specifying current amounts of their protection and premiums paid from their savings accounts.

The saver may terminate his policy at any time merely by notifying Citibank at least 15 days before any quarterly interest date. However, Connecticut General cannot terminate a policy until the insured reaches 65 or unless the plan is discontinued. Connecticut General will pay benefits in lump sums to beneficiaries.

A customer can have only one of these life insurance policies in force at one time. His wife and children are eligible for this insurance, but only one person per account may be insured. Similarly, one member of a joint account can be insured. Otherwise, the same eligibility rules as listed above apply.

Policy Conversion. If a person is insured for $1,000 or more either when he reaches 65 or when he closes his savings account and has been continuously insured under the plan for at least a year, he can convert all or a portion of his insurance to a permanent life insurance policy of at least $1,000 without submitting evidence of insurability.

Citibank announced the Savings Plus Life Insurance plan in April, 1971, and it went into effect late the next month. However, the New York State Association of Life Underwriters filed suit in state court against the bank, Connecticut General and the state insurance superintendent to block operation of the plan. A state court judge last August ruled the plan illegal, saying it was a tie-in sale prohibited by state insurance laws. According to the judge, the plan "constitutes a purchase and sale of life insurance interdependent with the deposit of funds in the bank and is an inducement to make the deposit."

However, in October the Appellate Division of the New York Supreme Court, in a 5-0 decision, reversed the lower court's decision by holding that the plan does not violate state law against tie-in plans. Thus, the way was cleared legally to operate the plan. • •

Bank of America Houston Office Appoints Craig Vice President

HOUSTON—John C. Craig has been named vice president and general manager of Bank of America International of Texas, scheduled to open here in early spring. He has had 15 years' overseas banking experience.

For the past year, Mr. Craig was assistant vice president for regional administration and U. S. corporations in the international division of Bank of America's San Francisco headquarters. Previously, he held positions with BofA organizations in the Middle East and North Africa.

American Nat'l Promotes Four, Elects Three New Officers

MOBILE, ALA.—Four officers have been promoted and three new ones elected at American National.

William W. Bawden III and Richard W. Overbey were advanced to vice presidents and John A. Johnston and Richard O. Rowan were promoted to assistant vice presidents. Mrs. Dorothy D. Fayard and Harold L. Hester were elected assistant cashiers and Duane L. Lane was named an assistant trust officer.

Mr. Bawden is manager of the data processing department and has been with the bank since 1959. Mr. Overbey, a member of the marketing department, joined the bank in 1968.

Promotions, New Officers At Boatmen's Nat'l

ST. LOUIS—Boatmen's National has promoted two officers, elected five new officers, named two new directors and its HC has reported 1971 earnings.

Promoted to assistant vice president were John W. Eggerding and Ted J. Smothers. Both were formerly data processing officers.

New data processing officers are Jim P. Cato, Jerome O. Klipsch and W. Michael Lindhorst. Charles R. Niemann was made assistant operations officer and Louise Harvey is a new personnel officer.

The new directors are Paul F. Cornelsen, Ralston Purina Co., and William L. Edwards Jr., Interco Inc.

Consolidated net income for 1971 for Boatmen's Bancshares amounted to $3.246 million, or $3.51 per share, compared with $3.234 million, or $3.50 per share, for 1970. Consolidated deposits increased 11.3% over 1970 figures.

Whitney Nat'l Earnings

NEW ORLEANS—Whitney National had net income of $8.6 million, or $7.64 per share, for 1971, compared to $9.8 million, or $8.76 per share, in 1970.

The bank has elected Robert H. Crosby Jr., president of Crosby Chemicals, Inc., DeRidder, to its board.

Trust Department Promotions Made at 1st of Birmingham

BIRMINGHAM—First National has announced two trust department promotions—Ralph L. Armstrong, from assistant trust officer to trust officer, and W. Lon Schreur, to assistant trust officer.

Mr. Armstrong, a lawyer, joined the bank in 1967. Mr. Schreur, with the bank since last August, came from the public accounting firm of Ernst & Ernst.

• **Earnings.** First National said that operating earnings last year were down slightly over the previous year because of a substantial decline in interest rates. Earnings in 1971 were $8 million, or $3.18 a share, compared with $8.6 million, or $3.40 a share, in 1970.

1st Amer. HC Posts Increase

NASHVILLE—First American National Corp. has reported consolidated income of $7.1 million, an increase of 4.4% over 1970. Per-share income before security gains amounted to $3.56 for 1971 against $3.41 for 1970. Net income per share was $3.81 for 1971 against $3.46 for 1970. Total assets increased 10.4% to $767 million.

Conill Corp. Earnings Up 8.5%

CHICAGO—Conill Corp., one-bank holding company for Continental Illinois National, has reported an 8.5% rise in earnings for 1971. Consolidated net operating income before portfolio transactions was $70 million, or $4.08 per share, compared with $64 million, or $3.79 per share, in 1970.

Deposits averaged $7.6 billion for the year, compared with $6.3 billion in 1970. Assets of the corporation now exceed $10 billion.

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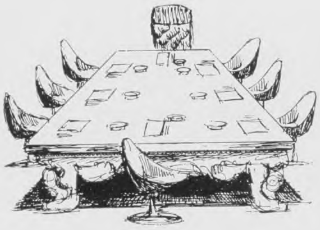

BOARD ROOM NEWS

Promotions • Staff Changes • Earnings Reports

Top-Level Changes Made At Third Nat'l, Nashville; HC Elects Top Officers

NASHVILLE—Third National Bank has elected a new top management team and Third National Corp. has elected a chairman and president.

Sam M. Fleming was named senior chairman of the board of Third National Bank in a move described as "the first step in the gradual and orderly transfer of top management responsibilities to a group of younger men."

John W. Clay was elevated from president to chairman and senior member of the new management group; D. Roscoe Buttrey was named president from chairman of the executive committee; James A. Webb Jr., executive vice president, was named to the board; and Warren P. Gray, executive vice president, was named an advisory director and secretary to the board.

Mr. Fleming, a former ABA president, was elected president of the bank in 1950 and chairman in 1970. He joined the bank in 1931 following service with New York Trust that began in 1928.

Mr. Clay joined the bank in 1937, was elected a vice president in 1951, senior vice president in 1963 and executive vice president in 1965.

Mr. Buttrey joined the bank's board in 1970 and was named chairman of the executive committee last year. His banking career began in 1940 when he joined State Bank, Jacksonville, Fla.

Mr. Webb has been with Third National since 1957 and Mr. Gray joined the bank in 1934. Mr. Webb heads the marketing division and is active in ABA activities. Mr. Gray, who is executive vice president for administration, has served as assistant cashier, assistant vice president, comptroller, vice president and cashier and senior vice president and cashier.

Chase Moss and Hubert A. Crouch Jr., both executive vice presidents at Third National, were elected chairman and president, respectively, of Third National Corp., parent firm of the bank.

Mr. Moss, a former Tennessee Bankers Association president, heads Third National's correspondent banking department. He joined the bank in 1937, was promoted to assistant cashier in 1947, assistant vice president in 1951, vice president in 1956 and senior vice president in 1965.

Mr. Crouch heads all credit and loan functions at the bank. He joined Third National in 1969 and also is chairman of First National, Tullahoma, Tenn.

Third National Corp. came into existence last January 1.

CLAY

FLEMING

WEBB

GRAY

MOSS

CROUCH

BUTTREY

Harper Named Correspondent Head At First of Oklahoma City

OKLAHOMA CITY—Ron Murray, vice president, First National, is the new head of the correspondent bank department. He succeeded Senior Vice President Haskell McClain, who will retire in a few months.

Mr. Murray joined the bank in 1961 and has worked in several departments, including auditing, transit, business development and paying and receiving.

Mr. McClain, who has headed the correspondent department for several years, continues in an advisory capacity until his retirement.

Phelan Joins Merc, St. Louis; HC Reports Reduced Earnings

ST. LOUIS—Daniel B. Phelan has joined Mercantile Trust as vice president in charge of international banking. He will be assisted by Charles H. Murray, vice president.

PHELAN

Mr. Phelan was formerly with Allied Bank International, New York, where he was in charge of operations in the Far and Middle East and Africa.

Consolidated net operating earnings of Mercantile Bancorp., parent firm of Mercantile Trust, totaled $16 million for 1971, compared to $17 million for 1970. The 1971 figure represents $3.16 per share, compared with $3.34 per share in 1970.

"The decrease in earnings for 1971 stemmed from a combination of factors, including a lower prime rate, a lower average of loans outstanding during the year and a reduced spread between the cost of funds and prevailing loan rates," said Donald E. Lasater, chairman.

Earls Named Corres. Director At Houston Citizens Bank

HOUSTON—Gayle M. Earls has been appointed director of correspondent banking for Houston Citizens Bank. Mr. Earls, a vice president, had been personnel director for the past three years.

EARLS

Prior to joining the bank, he was employment manager at Tenneco. He is a native of Oklahoma and has completed banking courses at the University of Michigan and Southern Methodist University.

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Three Exec. Vice Presidents Included in List of Promotions At First National, Kansas City

KANSAS CITY—Three new executive vice presidents head a list of promotions and new officer elections at First National.

Advanced from senior vice presidents to executive vice presidents were: William L. Atwood, head of the investment division; Walter Beck Jr., head of the commercial division; and Robert J. Wharton, head of the trust division.

Lawrence A. Round was promoted from vice president to senior vice president in the investment division.

Elected vice presidents were: John E. O'Connor, Paul A. Peterson and William O. Weis, correspondent bank division; Donald A. Blackman and Thomas H. Wootten, investment division; and Darrell E. Werner, trust division.

Gary L. Cherry, James Dodson, John Ericsson and G. Philip Smith were named assistant vice presidents. Robert A. Heady was advanced from assistant vice president and deputy comptroller to comptroller.

New trust officers are James L. Moffett, James H. Slocomb and Janis E. Pickard. David Boydston was named an assistant trust officer. Named assistant cashiers were Emmett Buettner, Joseph Hanis, Duncan Samuel and Ken Thieman.

Leon A. Fults, president and chief executive officer, Western Auto Supply Co., was elected a director. He succeeds Arthur C. Swanson, retired chairman of Western Auto, who is now a member of the directors' advisory council.

Grand Avenue Bank Announces Three New Appointments

KANSAS CITY—M. H. Ely, vice president, Grand Avenue Bank, has been named managing officer of the 18th and Grand Avenue Office. He has been with the bank since 1947 and has served as chief operations officer.

Charles E. Bowers, assistant vice president, was named cashier. He joined the bank in 1966. Elected an advisory director was Richard H. Spencer, partner in the firm of Spencer, Fane, Britt and Browne.

Smith Named Vice President Of Boatmen's National Bank

ST. LOUIS—Lawrence E. Smith Jr. has joined Boatmen's National as vice president of the newly formed commercial real estate loan department.

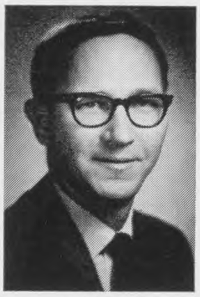
SMITH

Mr. Smith, who has more than 12 years' experience in the mortgage loan and real estate investment field, previously was vice president and senior loan officer with an S&L.

Daniel E. Singer also recently joined the bank as an assistant trust officer. Mr. Singer holds a law degree from the University of Michigan Law School and formerly was with the law firm of Lewis, Rice, Tucker, Allen & Chubb.

Gibbons Elected Vice President Of Deposit Guaranty National

JACKSON—John D. Gibbons has been elected a vice president of Deposit Guaranty National. He formerly was assistant vice president in the investment department.



GIBBONS

Mr. Gibbons joined the bank as a messenger and later was assigned to the investment department, where he was made assistant cashier in 1965. He was promoted to assistant vice president in 1969. He now serves as manager of the government bonds section of the investment department.

Smith Named VP and Controller At Commercial National Bank

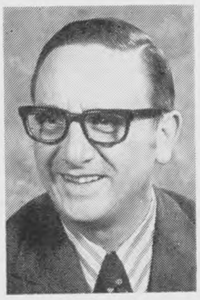
LITTLE ROCK—Commercial National has promoted Marshall D. Smith from assistant vice president and auditor to vice president and controller. He has been with the bank six years.

SMITH

Michael W. Clark was named head of the audit department. Before joining the bank, he was associated with an international accounting firm.

Herring Joins Correspondent Div. Of Hamilton Nat'l, Chattanooga

CHATTANOOGA—Hamilton National has elected Warren Herring assistant vice president in the correspondent banking division.



HERRING

Before joining the bank, Mr. Herring was a writer and news reporter for Chattanooga radio and television and a reporter for the Chattanooga *News-Free Press.*

Elected assistant cashiers at the bank were Wayne T. Bledsoe and Gregory K. Haskew. Mr. Bledsoe has served at several branches of the bank and is now manager of the Northgate Branch. Mr. Haskew was on the management training program at Citizens & Southern National, Atlanta, before joining Hamilton National in 1970. He is assigned to the Soddy-Daisy Branch.

Elected assistant trust officers were Odie L. Earl and David S. Schoonover. Mr. Earl formerly was with a life insurance company and Mr. Schoonover was in the trust department of Citizens & Southern National, Macon, Ga.

Hibernia National, New Orleans, Elects Two Vice Presidents

NEW ORLEANS—Hibernia National promoted Joseph M. Ford and A. Henry Kinberger from assistant vice presidents to vice presidents. Mr. Ford is in the wire transfers and collections division and joined the bank in 1941. Mr. Kinberger, with the bank since 1964, is in the loan department.

Felix S. Fonte, assistant manager, Canal Boulevard Office, was advanced from assistant cashier to assistant vice president. He will manage the bank's new University Office when it is completed.

New assistant cashiers at the bank are Michael P. Casey, John C. Guillory, John M. Lalla and Joseph B. Storey Jr. Gerard J. Krieger was elected an assistant trust officer.

FORD

KINBERGER

Fort Worth Bank and HC Announce Promotions

FORT WORTH—John Barry Hubbard has been elected executive vice president and trust officer of Fort Worth National. The bank also elected four new senior vice presidents, B. W. Lucas, Richard A. Mason, R. W. McKithan and John R. Walker.

HUBBARD

L. David Harrison was elected vice president and treasurer, Fort Worth National Corp., and J. F. Costello Jr., secretary of the holding company.

Mr. Hubbard, senior officer in charge of the trust division, joined the bank in 1953 and became senior vice president and trust officer of the bank in 1966 and a senior vice president of Fort Worth National Corp. in 1971. Before joining the bank, he was a special agent of the FBI in the U. S. and in six Latin American countries.

Mr. Lucas, manager, investments section, has been with Fort Worth National since 1947 and was formerly vice president, as were Messrs. Mason, McKithan and Walker. Mr. Mason, named head of the marketing division, has been with the bank since 1966. Mr. McKithan has been named to the newly created post of head of special projects for the bank, including responsibilities connected with construction of the bank's new quarters. He joined Fort Worth National in 1941. Mr. Walker, newly named head of the administration division, went to the bank in 1965. He is a CPA.

Mr. Harrison, a vice president and comptroller of the bank, was named treasurer of Fort Worth National Corp. in 1970. Mr. Costello, secretary to the bank's board, was elected assistant vice president of the bank in 1970 and assistant secretary of the HC in 1971.

George M. Young, an independent oil operator, has been elected to the boards of the bank and the HC.

• **Earnings.** Fort Worth National Corp. reported 1971 consolidated net income of $6.3 million, or $4.97 a share, compared with $5.5 million, or $4.34 a share, in 1970. The bank reached new year-end highs of $505.7 million in deposits and $305.8 million in loans in 1971. Comparable figures for 1970 were $470.2 million in deposits and $287.6 million in loans.

McKITHAN

MASON

LUCAS

WALKER

Third of Nashville Earnings

NASHVILLE—Third National had net income of $6.6 million, or $3.29 per share, for 1971, compared to $6.4 million, or $3.19 per share, for 1970. Year-end deposits exceeded $540 million.

Mason Elected Chairman & CEO Of First Security, Beaumont

BEAUMONT, TEX.—Elvis L. Mason has been named chairman, president and chief executive officer of First Security National and of First Security National Corp., the bank's holding company. The appointment is effective April 1. Mr. Mason had been serving as the bank's president.

MASON

John E. Gray, formerly chairman and CEO of both institutions, was elected chairman emeritus and will continue as an advisory director and consultant. He has been with the bank 20 years.

Mr. Mason came to the bank in 1963 in the business development department. He was elected executive vice president and a director in 1968 and was named president in 1970.

E. W. Krite Elected President Of American Nat'l, St. Louis

KRITE

LICHTENSTEIN

ST. LOUIS—Edward W. Krite, formerly executive vice president, American National, has been elected president. He succeeds Philip F. Lichtenstein, who was named to the new position of chairman.

Mr. Krite joined the bank in 1924 and served as cashier, vice president and executive vice president, the position he has held since 1957. He has been a director for 17 years.

Mr. Lichtenstein has been president since 1950. He came to the bank as a director in 1941 and became vice president the next year.

Nortrust Reports Earnings

CHICAGO—N.O.E. for 1971 for Nortrust Corp., parent firm for Northern Trust Co., were $16.7 million, or $6.55 per share, compared to $17.9 million, or $7 per share, for 1970. Total assets at year-end 1971 were $2.4 billion.

Fidelity Bank, Oklahoma City, Promotes 10

Newly promoted officers of Fidelity Bank, Oklahoma City, are: Mrs. Doris Linhoff (l.) and Mrs. Donna Wilson, asst. cashiers; standing (from l.) Mickey Johnson, v.p.; Louis Brigham and William Briscoe, a.v.p.s.; Kent Williams, tr. off.; and James Hunter, William Johnstone, Robert Reichert and Steve Dellinger, asst. cashiers. Mr. Reichert is in the correspondent banking division.

Columbia Union Promotes 10, Names Marketing Rep.

KANSAS CITY—Columbia Union National has promoted 10 of its personnel.

William J. Kraxner was named senior executive vice president, Edward H. Bickerton was named executive vice president and Homer A. Lyle was named senior vice president. Glenn E. Burrus, senior vice president, was placed in charge of commercial lending. Mr. Kraxner was formerly executive vice president and Messrs. Bickerton and Lyle were formerly vice presidents.

Robert W. Cook, trust officer, was promoted to vice president and trust officer. Meyer W. Brown, Charles H. Hyer and John T. Archer were promoted from assistant trust officers to trust officers. R. Dean Coffelt was raised from assistant trust officer to trust operations officer.

Helen Rosauer rose from secretary to the president to administrative assistant to the president.

New to the staff is Mrs. Valerie D. Williamson, believed to be the first woman to assume full-time bank marketing activities in Kansas City.

First National, Kansas City, Promotes 2, Retires V.P.

KANSAS CITY—First National has promoted John J. Blanchat from assistant trust officer to assistant vice president and personnel director. Franklin L. Dunn, former assistant vice president and personnel director, was advanced to a new post as assistant vice president and manager, building services.

Mr. Blanchat joined the bank in 1968, Mr. Dunn in 1936.

After nearly 52 years in banking, B. P. Michalski, vice president and manager of the warehouse real estate loan department, retired recently. Mr. Michalski started with the old Drovers National, Kansas City, in 1920.

Four New Sr. VPs Appointed At First of Oklahoma City

OKLAHOMA CITY—First National has elected four new senior vice presidents. They are: Don Eason, head of the bond department; Richard P. Kerrick, head of the operations division; Calvin Newton, head of the investment securities department; and Charles A. Vose Jr., commercial loan department.

Newly elected vice presidents are: Carl Beck, head of the BankAmericard department; Ronald E. Bradshaw, commercial loan department; Don Germany and Ted Shaw, data processing; James W. Pitts, head of the transit department; and Mrs. Billye White.

Don C. Collier, Ted Toland and James G. Thompson were elected assistant vice presidents and Robert B. Holland Jr. and Mrs. Helen F. Laughlin were named assistant cashiers.

Commerce State of Topeka Announces New Promotions

TOPEKA—Commerce State has announced several recent promotions.

Kenneth W. Senson and Gary D. Fadely were advanced from vice presidents to senior vice presidents. Both men have been with the bank since 1959 and are members of the executive committee.

Onis L. Lemon and Duane L. Fager, formerly assistant vice presidents, were appointed vice presidents. Mr. Lemon is responsible for the bank's installment-consumer lending program and Mr. Fager works in the marketing-public relations-business development program.

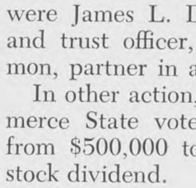
Robert N. Johnston, former assistant cashier, was elected assistant vice president. He is in the installment lending department.

Elected new directors of the bank were James L. Darrah, vice president and trust officer, and W. Dean Lemmon, partner in an accounting firm.

In other action, stockholders of Commerce State voted to increase capital from $500,000 to $750,000 through a stock dividend.

International Division Formed By Bank of New Orleans

NEW ORLEANS—Bank of New Orleans has formed an international division with John F. Smithies, vice president, in charge. Rafael M. Ybor, assistant cashier, also was named to serve in the new division, which was established to offer improved and expanded foreign banking services to BNO customers at home and abroad.



SMITHIES

Mr. Smithies, who grew up in Cuba, holds a B.A. degree in Latin American studies from Tulane University and did graduate work at New York University Graduate School of Business. He was formerly with Bank of New York and First National, Miami. At the latter bank, Mr. Smithies was officer in charge of the Central American and Caribbean division. He also has headed the international division of United National, Miami.

Mr. Ybor joined BNO in 1961, coming from the Trust Co. of Cuba in Havana.

Stock Split Proposed

DALLAS—Mercantile National's shareholders will vote at their annual meeting March 21 on a proposed 2-for-1 stock split. If the plan is approved, the bank's present two million shares of $10 par stock will be converted into four million shares of $5 par stock.

Imming Promoted to Senior VP At Manchester Bank, St. Louis

ST. LOUIS—Manchester Bank has promoted William C. Imming from vice president to senior vice president. He has responsibility for all data processing operations, record keeping and customer counter service.


IMMING

W. Clyde Johns, vice president, has assumed additional duties as secretary of Vancho Real Estate Co., subsidiary which owns the grounds and buildings of the bank.


KROUPA FITZWATER NUNN

Kenneth E. Nunn, assistant vice president of the bank, was elected secretary of Manchester Financial Services Corp. He also recently was named correspondent banking officer, replacing Richard C. Reilly, who is now president, National Bank of Affton, Mo.

In other action at the bank, George W. Fitzwater and Eugene F. Kroupa were elected assistant vice presidents.

Citibank Names Vice Presidents; Holding Co. Announces Earnings

NEW YORK—First National City Bank has named three new vice presidents and First National City Corp. has announced earnings for 1971.

Peter N. Goldsmith, Lawrence McKittrick and Sidney H. Schneck have been named vice presidents in the bank's investment management group. Mr. Goldsmith and Mr. McKittrick joined the bank in 1963.

Net income for the holding company and its subsidiaries for 1971 was $169 million, or $3.09 per share, compared with 1970 figures of $141 million, or $2.59 per share.

Worthen Names 3 V.P.s

LITTLE ROCK—Three vice presidents have been elected at Worthen Bank. They are Hiram H. "Jack" Priest, James H. Ryals and Charles P. Sullivan.

Mr. Priest joined the bank in 1947, Mr. Ryals in 1946 and Mr. Sullivan in 1970.

National American Bank Announces Promotions

NEW ORLEANS—National American Bank has named three new vice presidents, 11 assistant vice presidents, one assistant cashier and two assistant branch managers.

Elected vice presidents were: Melvin Hechler, manager, Lakeview Office; Robert R. Noonan, who recently came to the bank from Chemical Bank, New York City; and Andrew J. Schwabe III, manager, international banking division.

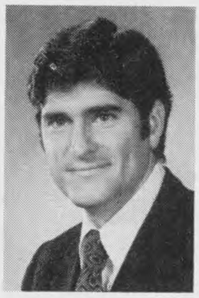
NOONAN HECHLER SCHWABE

New assistant vice presidents are: James L. Lazare, manager, International Trade Mart Office; Warren J. Jane, manager, Chef Menteur Office; Joseph A. Devenny III, floating branch manager; Albert H. Schof, manager, 225 Baronne Office; Mrs. Winifred L. Bishop, manager, Governor Claiborne Office, and executive director, ladies' banking center;

Warren F. Nardelle Jr., manager, Lee Circle Office; A. Allen Martin, manager, Parkchester Office; Irvin S. Daniel, manager, Broad-Desoto Office; and Thomas J. Lattie, Herbert Hecker and George J. Cook, all of the Main Office.

Nicholas R. Manalle was promoted to assistant cashier, Broad-Desoto Office. New assistant branch managers are Jerry P. Hebert, Broad-Desoto Office, and Martin Zeller, Governor Claiborne Office.

Fenoglio Joins Bank of Texas In Correspondent Division



FENOGLIO

HOUSTON—William H. Fenoglio Jr. has joined Bank of Texas as vice president, correspondent banking.

Previously, Mr. Fenoglio was assistant cashier and correspondent banking officer at Bank of the Southwest. His banking experience includes credit department work and responsibilities in the comptroller's division. Mr. Fenoglio is a graduate of the University of Texas and holds a degree in business administration.

LaSalle National of Chicago Announces 11 Promotions

CHICAGO—LaSalle National has named three new senior vice presidents, three vice presidents and five assistant vice presidents.

New senior vice presidents are: Marc B. Benson, municipal bond department; Arthur P. Rayunec, management information services; and John S. Shumway, senior trust officer.

Newly elected vice presidents are: Raymond A. Jacobson, auditor; John E. MacArthur, correspondent bank division; and Fredric H. Smith Jr., municipal bond department.

Named assistant vice presidents in the municipal bond department were William V. Crawford and Ronald J. Cwik. Others promoted to assistant vice presidents were: William R. Drevant, commercial banking group; Harry E. Rasmussen, deputy comptroller; and William J. Tyle, assistant comptroller.

Fannin Bank Elects Wilson VP And Correspondent Head

WILSON

HOUSTON—David R. Wilson has joined Fannin Bank as vice president and manager of the marketing and correspondent banking departments. He is in charge of advertising, business development and correspondent banking activities.

Mr. Wilson formerly held the same position at Bank of Texas. He began his banking career with Houston National.

Nunneley Elected Vice Pres. Of Utica National, Tulsa

NUNNELEY

TULSA—David D. Nunneley has been appointed vice president of Utica National. He had been associated with the Office of the Comptroller of the Currency as a national bank examiner for the past seven years and had headed the Tulsa subregional office since July, 1971.

Mr. Nunneley is a graduate of the University of Texas at Austin, where he received a B.A. degree with a major in economics.

Earnings Down in 1971

KANSAS CITY, KAN.—Net income at Commercial National last year was \$1,125,606, or \$2.63 a share, compared with the 1970 figure of \$1,147,252, or \$2.75 a share. The bank attributed the decrease to a sharp drop in commercial loan rates and a decline in average rates earned on earning assets. The average prime loan rate in 1971 was 5.73%, the bank pointed out, compared with 7.91% the previous year.

Four Promotions, New Director Announced by Topeka State

FINDEN

MADDUX

TOPEKA—Several promotions have been announced by Topeka State.

Jack Finden, former vice president and cashier, was elected senior vice president and Lyle Maddux was advanced from assistant vice president to vice president and cashier. Mr. Finden has been with the bank 14 years and Mr. Maddux almost four years.

Advanced from assistant cashiers to assistant vice presidents were Mrs. Joan Guy and Thomas D. Sanschagrin, manager of the trust department. Mrs. Guy joined the bank in 1942 and Mr. Sanschagrin in 1969.

John Hopkins, vice president, was elected a director.

Bennett Elected Vice President At Nat'l Bank of Commerce

BENNETT

DALLAS—National Bank of Commerce has elected Jerry J. Bennett vice president and trust investment officer. He formerly was with a bank in Houston and is a graduate of the University of Houston.

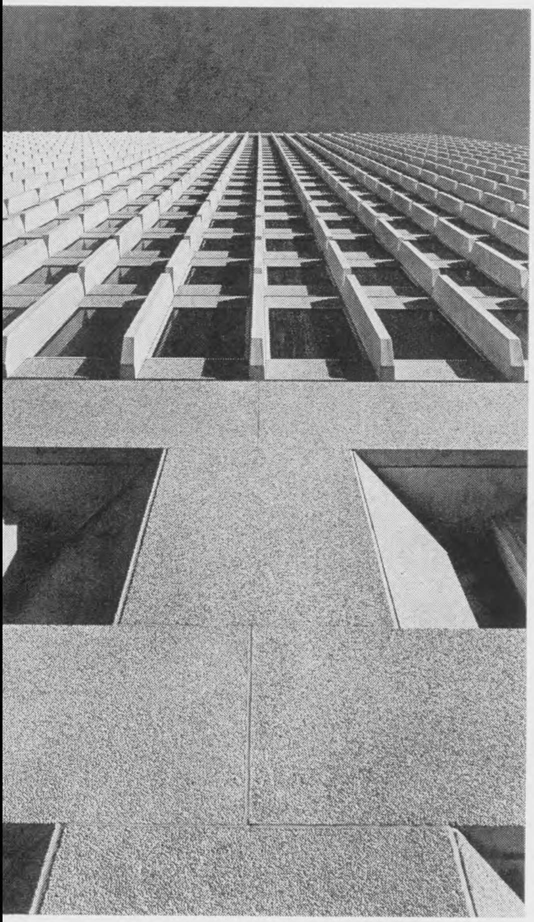
H. Michael Van Meter, assistant cashier, was appointed to the correspondent bank department with primary responsibility for Arkansas and east Texas. He has been with the bank three years.

Union Planters Earnings Up

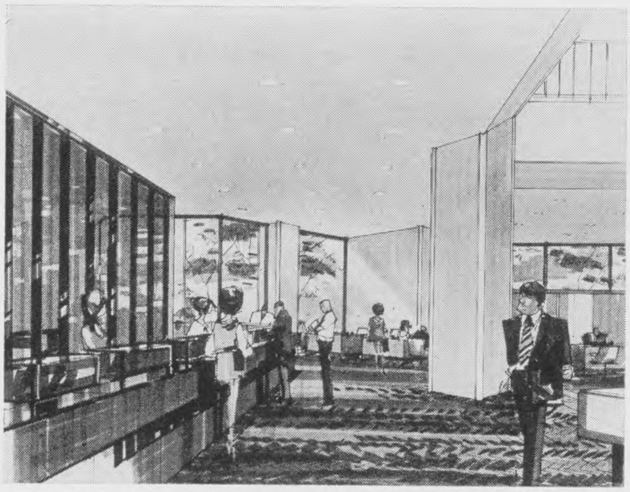
MEMPHIS—Union Planters National reported consolidated 1971 earnings before securities gains and losses of $7 million, or $4.63 a share, up 12.1% from $6.2 million, or $4.13 a share in 1970.

For the first time in the 102-year history of the bank, total assets exceeded one billion dollars at year-end.

■ NEW YORK—Manufacturers Hanover Corp. and Manufacturers Hanover Trust Co. have elected Fred G. Fusee to their boards. He is vice chairman and chief executive officer, Avon Products, Inc.



Close-up of 30-story Citizens Plaza tower shows precast concrete panels used in construction of Citizens Plaza complex.



Main Office Branch, located in lobby area, accommodates 10 paying and receiving tellers. Correspondent banking division is adjacent.

Opposite page—New Citizens Plaza complex (dotted outline) overlooks Louisville's rapidly changing skyline. Thirty-story tower of new bank is kitty-corner from former quarters (circled) at 5th and Jefferson.

Citizens Fidelity Goes High-Rise

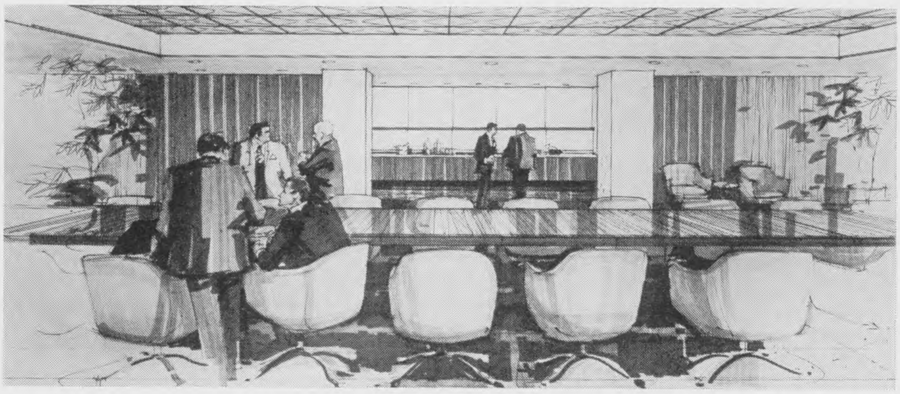
Kentucky's Largest Commercial Bank

KENTUCKY'S largest bank, Citizens Fidelity Bank and Trust Co., has moved into its new office building at the corner of Fifth and Jefferson streets. The 30-story building is said to be the tallest in the state and occupies the entire city block now known as Citizens Plaza.

Completion of the complex marks the end of an important phase in Louisville's program to stimulate new construction in the downtown area.

Maurice D. S. Johnson, the bank's chairman, commented, "For several years the bank has shared in the belief that Louisville's growth would depend in large part on the business community's continued interest in the downtown area. We felt that Citizens Fidelity, as Kentucky's largest bank, was in a position to help stimulate this interest.

"Accordingly, three years ago we announced plans for the construction of our new bank office building, to be located downtown in the business district. Today the Citizens Plaza complex is evidence of our commitment to this city's physical and economic growth."



Second-floor boardroom features 33 by 7-foot table made up of 11 individual tables that can be arranged as desks or removed from room.

The building's 420-foot tower was jointly developed by Winmar Co. and Northwestern Mutual Life Insurance Co. of Milwaukee, and designed by Welton Becket & Associates, Los Angeles architectural firm.

Piers at the building's base were designed at an angle to create a number of pleasantly landscaped alcoves, each containing benches and several varieties of plants. The angled piers are carried through transparent floor-to-ceiling walls, extending the same garden-like atmosphere to the interior, where several large plants have been placed in the lobby.

A contemporary theme is predominant throughout the bank's interior

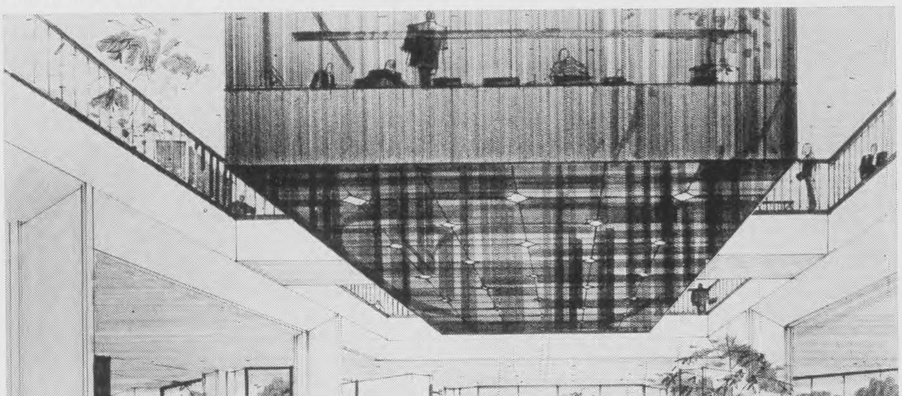
Occupies Kentucky's Tallest Building

decor. A fire-brick floor, beige carpeting and off-white columns distinguish the lobby area, which contains the Main Office Branch, 10 paying and receiving tellers and the correspondent banking division. Escalators lead to the second floor mezzanine, where the bank's executive offices, directors' room and the commercial and mortgage lending departments are located.

The board room includes a library and reception area; and, for the directors, a large conference table comprised of 11 separate tables. On days when the board is not meeting, these tables can either be arranged into a classroom setting or removed entirely for bank conferences.

Another feature adding to the contemporary decor is the bank's new and unique art collection. Comprised entirely of paintings and sculptures by Kentucky artists, the pieces were acquired in December, 1971, to make up a permanent corporate collection. In a special Christmas show sponsored by Citizens Fidelity and Louisville's J. B. Speed Art Museum, the works of over 50 Kentucky artists were exhibited and placed for sale. The bank purchased 30 of the pieces, and they are now being publicly displayed on the first and second floors. • •

Conference room is suspended over banking lobby. Entrance to room is from mezzanine level.



Illinois News

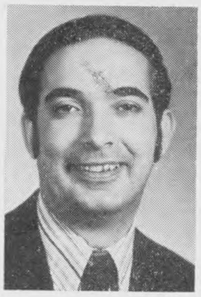
National Stock Yards National Appoints Spaulding Auditor

SPAULDING

NATIONAL STOCK YARDS—Russell E. Spaulding Jr. has been appointed auditor of National Stock Yards National. He succeeds Walter F. Fischer, who recently retired.

Mr. Spaulding has been in banking 10 years and joined National Stock Yards National in 1969. He attended Southern Illinois University at Carbondale.

Two New Appointments Made At First National, Decatur



GROSSO

DECATUR — First National has elected Pete Grosso cashier and Mrs. Helen Bafford assistant cashier.

Mr. Grosso joined the bank in 1955 and was appointed assistant cashier in 1967. Mrs. Bafford has been with the bank since 1943 and has worked in the operations department.

■ NORTHWEST NATIONAL, Chicago, announced several promotions. Advanced were: Daniel L. Fries, from assistant vice president to cashier; Arthur T. Pressney, from auditor to assistant vice president in charge of savings; Miss Irene Cobb, Miss Muriel Kregg, Raymond Lanners and John Westa, assistant cashiers; Miss Anne Roberts, director of purchasing; and Miss Myra Hudspeth, assistant secretary, Northwest Safe Deposit Co.

■ FRED ERLENBORN has retired as president of First National, Peru, a position he had held since 1936. He was elected chairman. Succeeding Mr. Erlenborn as president is Harold L. Simkins, who joined the bank in 1966 as executive vice president. Richard Wendt, former assistant cashier, was promoted to cashier. He joined the bank in 1966 as a loan officer.

■ DONALD P. BROWN, formerly executive vice president, First National, O'Fallon, has been promoted to president. He remains chief executive officer. Rogers D. Jones, a lawyer, who was acting president, was elected senior vice president. Mrs. Helen Nichols moved up from assistant vice president to vice president.

Lockard Named Pres. and Chairman Of First Nat'l, Mattoon

MATTOON—At year-end, Melvin C. Lockard, president, First National, received the additional title of chairman. He continues as chief executive.

Other new titles at First National are: Donald S. Cason, first vice president; Philip S. Weller, senior vice president; Robert F. Jones and Truman J. Sanner, assistant vice presidents; Dorothy G. Loveless, Kim E. Hopkins and Dennis E. Johnson, assistant cashiers.

■ ALTON BANKING & Trust Co. has announced the following promotions. Warren Chappee, from vice president and cashier to executive vice president; John A. Williams, from vice president to first vice president; Louis H. Keller, from secretary to vice president and secretary; Walter Brockman, from auditor to cashier; Mrs. Ruby Fritz, from assistant cashier to assistant vice president and assistant secretary; G. Anthony Eberlin, from assistant cashier to assistant vice president; Patrick Heitzig, to assistant trust officer; Fred Brooks, to director of data processing; William Taylor, to auditor; and Mrs. Phyllis Pitts and Mrs. Gladys Bennett, to assistant managers, TV Motor Bank.

Bank Holds Groundbreaking

Groundbreaking ceremonies recently were held for the new First Security Bank, Glendale Heights, scheduled to open in June. The building will have 3,500 square feet of floor space on two levels and pneumatic-tube drive-up stations. Participating in the groundbreaking were: Vernon S. Hoesch, pres., First Ogden Corp., Naperville, and ch. of the new bank; William J. Callahan, pres. of both Bank of Lisle and of the new bank; and Donald H. Fischer, pres., Bank of Hinsdale, and acting cash. of the new bank.

Howard Bell Elected President Of First National, Rockford

ROCKFORD—Howard E. Bell, executive vice president and director, First National, recently was elected president. He succeeds R. F. Applequist, who was appointed chief executive officer and chairman.

APPLEQUIST BELL

Mr. Bell has been with the bank since 1953 and also is a director of First National, Colfax, Iowa. Mr. Applequist joined the bank in 1932 and has been president since 1963.

Jackson Purchases Control Of First Nat'l, Greenville

GREENVILLE—James M. Jackson and his family have purchased controlling interest in First National. Mr. Jackson was elected president, replacing Glen E. Martin, who has retired.

Mr. Jackson's son, Michael T. Jackson, was elected assistant vice president and his wife, Mrs. Betty Jackson, was named assistant cashier.

Eugene Grohler and Mrs. Norma Grohler have joined the bank as assistant vice president and cashier, respectively. Both formerly were with Kempton State.

Mark Dothager was promoted from assistant cashier to assistant vice president at First National and Miss Janet Heichelbeck was named assistant trust officer.

■ EDWARDSVILLE NATIONAL promoted William S. Alexander from auditor to assistant vice president and auditor, Miss Karen A. Bardelmeier to assistant cashier and Miss Linda L. Niebruegge to administrative assistant.

■ MRS. MARY J. WEBSTER retired as vice president of Illinois National, Springfield, after 39 years of service. She was elected an assistant vice president in 1957 and became the first woman officer in a Springfield bank, according to Illinois National. She became a vice president in 1964.

■ PROMOTED from assistant cashiers to assistant vice presidents of Elgin National were Robert W. Mogler, Douglas C. Hurley and William B. O'Rourke Jr. Erven B. Jurs was elected an assistant cashier.

Illinois Death

FRED G. HARRISON, 72, president and director, Bank of Herrin, and director, Bank of Marion.

Lease financing. Another way our expertise can help correspondent banks improve their profits.

Most banks ignore lease financing. They simply don't want to bother with it. After all, it always has been a very complicated business.

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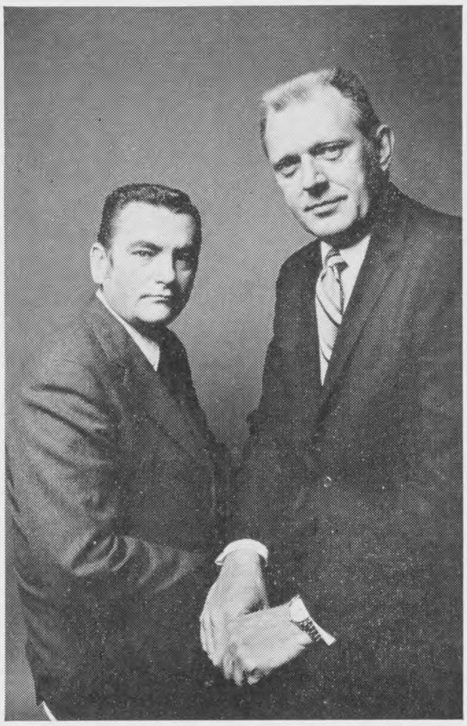

Exchange National Bank

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Indiana News

Top-Level Shifts Made at AFNB, Indianapolis, McKinney Is New President

INDIANAPOLIS—American Fletcher National has announced a realignment of top officers and the election of three directors.

TUOHY

J. Joseph Tuohy, president, has been named vice chairman of the bank to enable him to devote more time to the bank's holding company, American Fletcher Corp., of which he is president. Named to succeed Mr. Tuohy as president of the bank was Frank E. McKinney Jr. In addition, Walter W. Ogilvie Jr. was promoted to executive vice president of administration.

McKINNEY

OGILVIE

Mr. Tuohy joined the bank in 1961 as a vice president. He was appointed senior vice president in 1966, executive vice president for administration in 1968 and president in 1970.

Mr. McKinney joined the bank in 1967, was named senior vice president in 1969 and executive vice president for administration in 1970.

Mr. Ogilvie has been with the bank since 1967 and was named senior vice president and controller in 1970.

The new directors are John W. Arbuckle, Indiana Bell; H. A. Barker, Public Service Co. of Indiana, Inc.; and Beurt SerVaas of Curtis Publishing Co.

■ PURDUE NATIONAL, Lafayette, has announced the retirements of Miss Dorothy C. Thoma as assistant vice president and Ivan L. Anderson as auditor. Miss Thoma had been with the bank since 1938 and Mr. Anderson since 1951. Gordon F. Gaylord, former assistant auditor, was elected auditor to succeed Mr. Anderson. Ralph M. Mayerstein and Charles R. Van-Natta, former directors, were appointed advisory directors.

■ MARION NATIONAL recently made the following new appointments: Rex Griffin, financial planning officer; Miss Harriette Kennedy, auditor; Dan Velasquez, data processing officer; and Clyde Franklin, assistant operations officer.

New Promotions Announced By Union Bank of Kokomo

KOKOMO—Union Bank has promoted three men from assistant vice presidents to vice presidents. They are: Charles R. Cox, head of the teller and branch administration programs; Donald J. Sharp, manager, data processing department; and Bruce A. Wooldridge, commercial loan officer and head of the student loan program.

Advanced from assistant cashiers to assistant vice presidents were: William R. Deafenbaugh, loan officer, consumer services department; Jack H. Simpson, assistant manager, consumer services department; and James T. Papacek, manager, Markland Avenue Branch.

James P. White was promoted to assistant trust officer, William E. Bersbach and Mrs. Janet Lammott were named assistant cashiers and James B. Billiard was appointed business development representative.

New branch managers are Stanley M. Moore, W. Fred Morris and Jack E. Sorensen.

■ KENNETH P. COOPER was advanced from vice president and cashier to president of Farmers State, Sullivan. He has been with the bank since 1955. He succeeds E. F. Springer, who has retired after serving as president for the past seven years. Other new appointments included: Donald G. Erlenbush, executive vice president; R. H. Billman, vice president and branch manager; and Donald King, assistant vice president and cashier. Mr. King formerly was cashier, First National, Winslow. Dr. C. E. Fisher and John C. Smith, former directors, were elected honorary directors.

Wakefield Elected President Of First Bank, South Bend

SOUTH BEND—Benton M. Wakefield Jr. has been elected president and chief executive officer of First Bank and president of FBT Bancorp. of Indiana, Inc., holding company that recently assumed control of the bank. He also was named a director of both the bank and holding company.

WAKEFIELD

Mr. Wakefield had been president and chief executive officer of Mercantile National, Hammond, since 1963. Previously, he was vice president and director, Ouachita National, Monroe, La., and an officer with First National, Memphis.

Robert E. Berryman, who had been serving as First Bank president on leave of absence from Associates Corp. of North America, has returned to Associates as senior consultant. He had been with First Bank since 1969.

New officers of FBT Bancorp. are Ronald J. Jaicomo, secretary and general counsel, and Herbert R. Solbrig, treasurer. Mr. Jaicomo is a director of Marshall County Bank, Plymouth, and Mr. Solbrig is senior vice president and secretary of First Bank.

Elected directors of the bank and holding company were Robert B. Hungate, vice president and group executive, Bendix Corp., and Paul R. Moo, professor of law, University of Notre Dame.

Philip H. Welber, director of First Bank since 1968, was elected a holding company director. Elected a new director of the bank was Jerry Gidley, president, Marshall County Bank, and vice chairman, Bremen State.

■ JOSH C. COX JR. has joined Irwin Union, Columbus, as vice president-retail banking. He is responsible for direct and indirect consumer loans, home loans, collections and branch banking centers. Before joining the bank, he was president and chief executive officer, Williamsburg (Va.) National.

■ C. M. BRAMAN was advanced from president to chairman of First National, Mitchell, and R. E. Braman, former vice president, was elected president. Frank L. Braman Jr., previously executive vice president, has taken the title of vice president. B. D. Hartzell Jr. was promoted from vice president to executive vice president.

Kentucky News

Adron Doran Elected Director Of Citizens Bank, Morehead

DORAN

MOREHEAD—Dr. Adron Doran has been elected a director of Citizens Bank. He is president of Morehead State University, a position he has held since 1954.

Dr. Doran was awarded the Horatio Alger Award in 1971 and serves on numerous state and national committees and boards.

■ COVINGTON TRUST has made the following promotions: William M. Rolf, from vice president to senior vice president; C. Gary Lippert, from assistant vice president and assistant trust officer to assistant vice president and trust officer, and Thomas A. Jordan, from assistant secretary to assistant vice president.

■ CHARLES JORDAN JR., formerly assistant vice president, Citizens Deposit Bank, Vanceburg, has been advanced to executive vice president. Philip Hull, who was assistant cashier and manager of the bank's Tollesboro Branch, is now cashier of the bank. Charles Mineer was formally elected Tollesboro Branch manager, a post he has held since last August. Maurice Willim has been named vice president, and William T. Clark was re-elected president and chairman. The bank's board abolished the offices of chief executive officer and vice chairman held by L. R. McGuire since August, when J. B. Kelley resigned as president.

■ FIRST NATIONAL, Central City, made the following promotions: P. A. Shaver Jr., from cashier to executive vice president; Phillip Sparks, from assistant cashier to assistant vice president; W. D. Kimmel, from assistant cashier to cashier; and Mrs. Sue Adcock and Hugh Sweatt, assistant cashiers.

■ A. WILSON SIMMONS JR. was named executive vice president of Bank of Murray. He joined the bank in 1962 and was elected vice president of the commercial loan department in 1969.

■ MICHAEL A. CONNER was elected executive vice president and Mrs. Wilma C. Scheben senior vice president of Hebron Deposit. Both had been vice presidents. Elected cashier was Robert C. Ruebel, who formerly was executive vice president, United Bank, Versailles. Mrs. Ruby Reed, former cashier, is now secretary and Miss JoAnn Toole, former branch manager, is assistant cashier.

■ OWENSBORO NATIONAL promoted Robert Taylor from trust officer to vice president and trust officer. He succeeds Paul M. Ferguson, who has retired.

■ E. DIMMITT CORYELL, former executive vice president, State National, Maysville, has taken the title of senior vice president due to his semi-retirement. Robert D. Vance was promoted from vice president to executive vice president; James C. Erwin from assistant cashier and trust officer to vice president and trust officer; and Mrs. Charlotte Hilterbrand to assistant trust officer.

■ ALLEN M. HARMON has been elected president of Marion National, Lebanon. He formerly was vice president.

■ J. R. WATKINS, former chairman and president, Trigg County Farmers Bank, Cadiz, is now chairman and chief executive officer. B. D. Thompson moved up from vice president to president and John B. Mason was advanced from cashier to vice president. J. J. Carr was promoted from assistant vice president to cashier.

■ CITIZENS UNION, Shelbyville, has begun construction on a new bank building.

■ ROY W. BRENT has retired as vice president of United Farmers Bank, Campbellsburg, after 35 years of service. A railroad enthusiast for many years, Mr. Brent was presented a pair of railroad lanterns and an oil painting of a steam locomotive as retirement gifts.

■ PADUCAH BANK elected three new directors. They are Clifford A. Brumley, Dr. Walter R. Johnson and Lionel H. Minnen.

■ PEOPLES BANK, Paint Lick, promoted G. W. Broaddus from cashier to executive vice president and Jerry King from assistant cashier to cashier.

■ CLYDE W. MAULDIN has been elected president of Bank of Lexington, succeeding F. E. Hansen, who has resigned. Mr. Mauldin had been president of Central Bank, Lexington, since 1966.

Kentucky Bankers Association Plans 1972 Group Meetings

The Kentucky Bankers Association has announced its group meeting schedule for 1972:

GROUP 1: May 9, location to be announced.
GROUP 2: May 8, location to be announced.
GROUPS 3 and 5: May 11, Stouffer's Inn, Louisville.
GROUP 4: May 10, National Guard Armory, Bowling Green.
GROUP 6: May 17, Phoenix Hotel, Lexington.
GROUP 7: May 18, Cumberland Falls, Corbin.
GROUP 8: May 16, Beverly Hills, Newport.
GROUP 9: May 20, Jenny Wiley State Park, Prestonburg.

■ R. D. BAKER was promoted from vice president to executive vice president of Bank of Cumberland, Burkesville.

■ BOWLING GREEN BANK recently made the following promotions: James W. Williams, first vice president; Benjamin T. Runner, Robert Jerry Martin and L. V. Meador, vice presidents; and Glenn Sams, cashier.

■ JAMES O. FINCH was promoted to vice president and controller of Citizens Union National, Lexington. He has been in charge of the bank's computer department.

■ CITIZENS NATIONAL, Bowling Green, is constructing a new building for its Main Office, scheduled for completion in May. The bank also has announced plans to open its new Ashley Circle Branch in May. The branch will have two inside windows, one drive-up window, night depository and safe deposit boxes.

■ ROGER WHITEHOUSE has been elected president of Peoples State, Chaplin, succeeding the late H. B. Pulliam. Formerly vice president, Mr. Whitehouse also had been a teller, assistant cashier and cashier since joining the bank in 1937. He is on the bank's board.

■ SOUTHERN DEPOSIT BANK, Russellville, promoted R. L. Kirkpatrick Jr. from executive vice president to president. He succeeds M. B. Brown, who was elected chairman. Other promotions included: Berks Brown, executive vice president and secretary to the board; Stanley E. Kees, cashier; and D. E. McCarty, assistant vice president and agricultural representative.

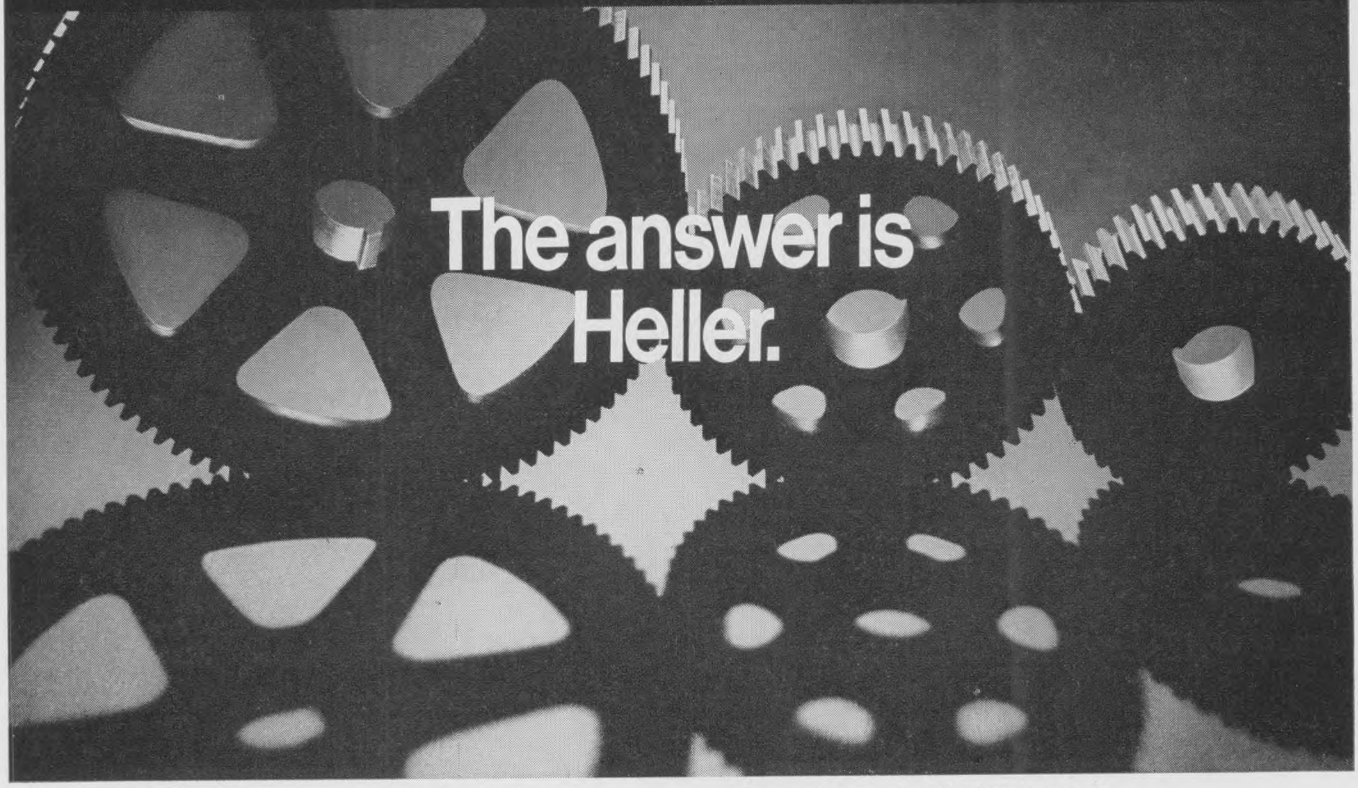
Kentucky Deaths

DEWEY DANIEL, chairman and president, Peoples Bank, Hazard.

J. ROGER CAUDILL, president, Peoples Bank, Morehead.

Question:

Who made a big business of helping smaller banks make bigger loans?



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Tennessee News

New Appointments Announced At Union Bank of Pulaski

PULASKI—Union Bank has announced several promotions and new appointments. J. E. Roe has retired from active service as chairman and was named chairman emeritus.

Lambeth Lester was promoted from vice president to executive vice president and Joe Wilson, former assistant vice president, was elected vice president.

New assistant vice presidents are Jerome Smith, former cashier, and John H. Stevenson, who was assistant cashier. Tommy Burns succeeds Mr. Smith as cashier, advanced from assistant cashier.

Other promotions included: Bell Hickerson, assistant cashier and manager, Lynnville Branch; Mrs. Linda C. Johnson, assistant cashier; and Mrs. Virginia Sanders and Mrs. Barbara Slayton, administrative assistants.

Sam L. Lewis, attorney, was elected a director.

■ MURFREESBORO BANK has promoted Joe R. Messick from assistant cashier to assistant vice president and Wayne E. Gensemer to assistant cashier. Mr. Messick heads the Smyrna Branch Office and Mr. Gensemer is in charge of the personal loan department. Elected new directors of the bank were: K. Thomas Hutchinson, farmer; Clark Maples, realtor; and R. P. Sherman, vice president, Sherman Distributors, Champaign, Ill.

2nd of Jackson Shows Gain

JACKSON—Second National has reported 1971 net income of $275,000, or $6.87 per share, compared with 1970 figures of $272,000, or $6.80 per share. Deposits were close to $36 million in 1971.

■ AMERICAN NATIONAL, Chattanooga, promoted William L. Montague Jr. to assistant trust officer and Earl M. Counts Jr., John A. Fehlandt and Willis T. McGhinnis Jr. to branch officers, retail division.

Hamilton Bancshares, Inc., Makes New Appointments

CHATTANOOGA—Hamilton Bancshares, Inc., recently made the following new appointments: Robert W. Lessley, vice president-bond investments; J. Thomas Cook, assistant secretary-treasurer; J. Robert Potts, general auditor; and J. Edward Carver, operational auditor.

Mr. Lessley began his banking career at Union Planters National, Memphis, and since 1962 has served as vice president of the bond and portfolio department of Citizens Fidelity, Louisville.

Mr. Cook is an assistant vice president of Hamilton National Bank. He has served as manager of the bookkeeping department and manager of the electronic data processing systems and data services.

Mr. Potts has served at the Main Street Branch of Hamilton National and was elected auditor last year. Mr. Carver was elected an assistant vice president of Hamilton National in 1969.

Gilliam Named Pres. & CEO Of Warren County Bank

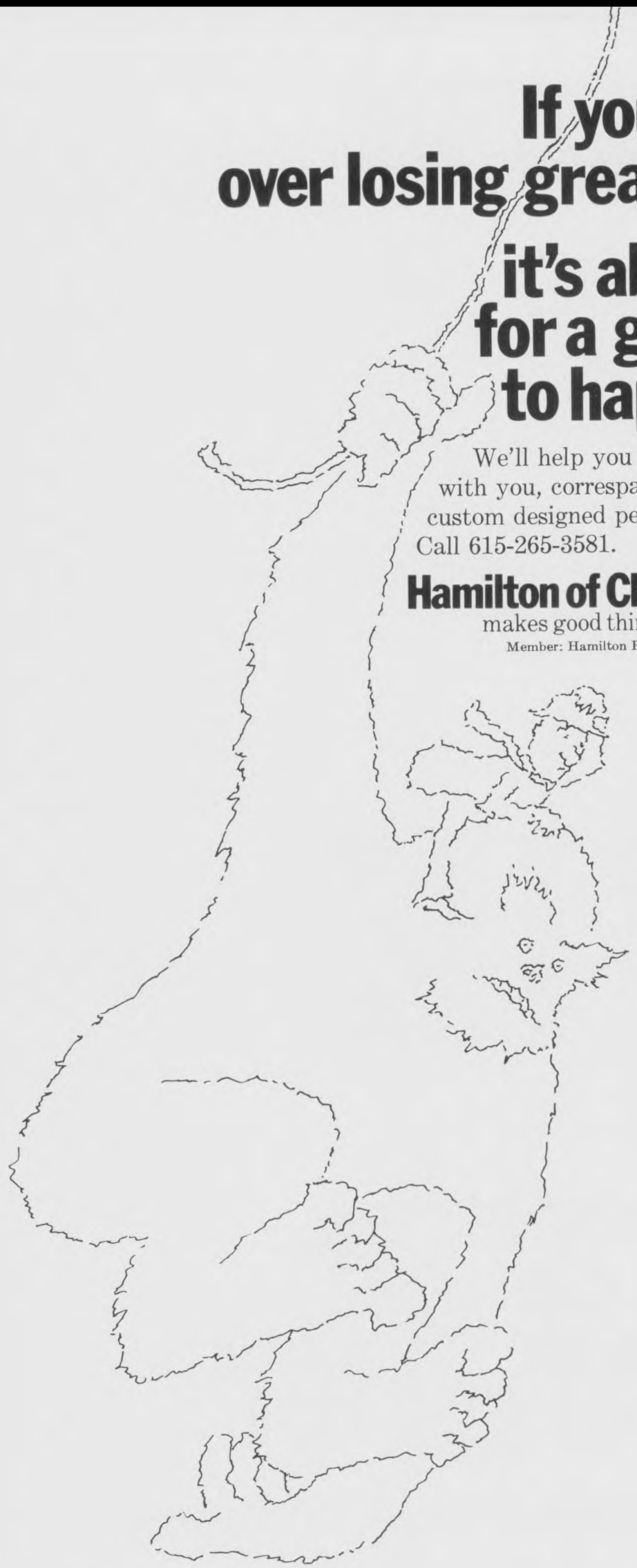
McMINNVILLE—Jerry F. Gilliam has been named president and chief executive officer of the proposed Warren County Bank. The new bank filed its charter application December 29.

Mr. Gilliam, who has been in banking 19 years, had been executive vice president and senior loan officer of Barnett Bank of San Jose, Jacksonville, Fla. He also has served as a senior grade commercial loan officer with the Small Business Administration and as an installment loan officer with Commerce Union, Nashville.

■ FIRST AMERICAN NATIONAL, Nashville, has named Lonnie E. Wilson, assistant vice president, as manager of the bank's new Plus Park Branch, scheduled to open in the spring. He will be succeeded as manager of the Murfreesboro Road Branch by Gerald Griffin, assistant vice president. Mr. Griffin has been serving as assistant manager of the West Nashville Branch.

■ THREE PROMOTIONS were announced by National Bank of Commerce, Jackson. Advanced to vice presidents were Evan Davis, trust officer, and Milton Fulgham, comptroller. Guy Gee was promoted from assistant cashier to assistant vice president.

■ JEFFREY A. GOLDEN, vice president and cashier, City Bank, McMinnville, has been named Warren County's "Outstanding Young Man of the Year" for 1971.



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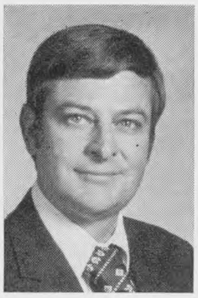
Mississippi News

Study Conference, Convention Are Planned March 15-18 By Mississippi Junior Bankers



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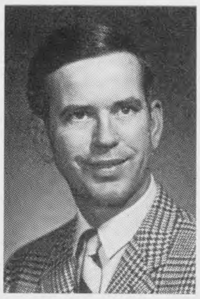


GURLEY

The Junior Bankers Section of the Mississippi Bankers Association will hold its traditional two-part study conference and convention this month. The study conference will be held in Hattiesburg March 15 to around noon March 17. The convention will be held in Biloxi from the afternoon of March 17 to the night of March 18.

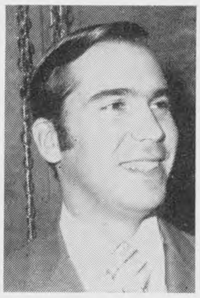
Registration for the Hattiesburg meeting will begin at 2 p.m. March 15 at Holiday Inn North and will be followed by a cocktail party and get-acquainted hour—compliments of the "Flying Squadron"—and a buffet dinner at the Hattiesburg Country Club. Crawford McGivaren, MBA president and president, Bank of Clarksdale, will have some remarks.

From 7-8 a.m. the next day, there will be a breakfast, also at Holiday Inn North as well as at the Southernaire Motel. The business sessions, to be held in the auditorium of the main building of the School of Business Administration at the University of Southern Mississippi, will begin at 9 a.m. James H. Jones, president and chief executive officer, First National Bank of Commerce, New Orleans, will give the keynote address.

Topics will include: "Economic Outlook for 1972," "How to Develop Installment Credit," "Future-Payments Mechanisms," "Management Organization in a Small Bank," "The New Marketing Concept for Banks," "Growth and Profits in Banking—Is There any Conflict?," "Your Mississippi Banks" and "Open Session on Phase Two of the Economy."

A luncheon and banquet will be held March 16 and another breakfast on the 17th.

The convention at Biloxi's Buena Vista Hotel will begin with registration from 2-6 p.m. March 17, a get-acquainted hour at 6:30 and a western party and seafood jamboree at 7:30, to be followed by dancing.



MALLORY

JACKS

On March 18, a breakfast from 8-10 o'clock is scheduled for the men and a 9:30 o'clock breakfast for the women. Junior Bankers' officers and executive council will meet for a 9:30 breakfast. A general business session is scheduled for 10:30 a.m. and a luncheon at noon. That afternoon, there will be bridge for the women, a trip to Beauvoir, Jefferson Davis Shrine, and golf. That evening's schedule calls for a 6 o'clock social hour and a 6:45 banquet, to be followed by entertainment and dancing.

This year's officers of the Junior Bankers Section are: president, William B. Gurley, vice president, Bank of Cleveland; vice president, Wilmer H. Whittle, president, Newton County Bank, Newton; treasurer, Lewis F. Mallory Jr., executive vice president, Peoples Bank, Starkville; and secretary, Barney H. Jacks, vice president, Deposit Guaranty National, Jackson. Mr. Whittle also is conference chairman.

Mr. Gurley entered banking in 1961 at the National Bank of Commerce in Corinth and had advanced to vice president when he joined the Grenada Bank in January, 1971, as vice president and assistant manager of the Bank of Cleveland Branch. He holds a BBA degree in banking and finance from the University of Mississippi and is a graduate of the School of Banking of the South at Louisiana State University.

Mr. Whittle, a native of Newton, went to the Newton County Bank in 1960 after receiving a B.A. degree from Vanderbilt University in Nashville. He was elected assistant cashier in 1961 and, after a series of promotions, became president in 1969. He was elected to the board in 1963. He also is a graduate of the School of Banking of the South.

Mr. Mallory, born in Starkville, also is trust officer and a director at his bank. He was graduated in banking and finance from Mississippi State University and is a School of Banking of the South graduate.

Mr. Jacks went to Deposit Guaranty National in 1965 as agricultural representative. Now vice president, he was given senior lending responsibilities within the loan division in August, 1971. Before joining the bank, Mr. Jacks was a mortgage loan appraiser with the Prudential Insurance Co. of America and, before that, a member of the agricultural economics staff of Mississippi State University.

Coahoma National Wins Approval To Open Southaven Branch

CLARKSDALE—Coahoma National has announced plans to open a branch in Southaven, following a recent federal court ruling that upheld the already approved application of the bank.

The ruling was the culmination of a legal challenge in which First National, Southaven, sought to have the decision and approval of Comptroller William B. Camp set aside and rescinded on the grounds that he had failed to express in writing his finding of public convenience and necessity in granting Coahoma National's application.

The federal court adjudged that sufficient evidence of public need had been established in a statistical summary of the Southaven area's population and economic growth submitted by the applicant bank.

■ SPIVEY DOUGLASS has retired from Cleveland State. He had served as vice president for 24 years.

■ BANK OF YAZOO CITY promoted Mrs. Frances B. Crocker from assistant cashier to assistant vice president. She has been with the bank since 1943.

■ T. J. POGUE has been elected vice president of Bank of Shubuta. He had been serving as vice president and cashier of Bank of Stonewall since 1967.

■ GEORGE K. WADE was elected a director of Bank of Commerce, Greenwood. He fills the vacancy on the board created by the recent death of R. Hugh Middleton.

■ WILLIAM A. HAYWARD has resigned as vice president of Gulf National, Gulfport. He is now executive vice president and secretary to the board of International Bank of Tampa, Fla.

First of Jackson Promotes Two

MILLER

NIX

Dean M. Miller and Wayne L. Nix have been promoted from v.p.s to sr. v.p.s at First National, Jackson.

Stockholders' Lunch Held By Brookhaven Bank

BROOKHAVEN—Brookhaven Bank recently held its second annual stockholders' luncheon at the Brookhaven Country Club, with 80 stockholders attending.

F. F. Becker II, chairman, welcomed the group and invited the stockholders to a formal meeting at the bank's Main Office after the luncheon. Raymond L. Davis, president, presented his annual report.

Guest speaker was J. C. Whitehead Jr., president, Bank of Mississippi, Tupelo, and president-elect of the Mississippi Bankers Association. He outlined the responsibilities of a bank stockholder.

TOP: Shown attending Brookhaven Bank's stockholders' luncheon are: (from l.) Raymond L. Davis, pres.; J. C. Whitehead Jr., pres., Bank of Mississippi, Tupelo, and pres.-elect of the MBA; and F. F. Becker II, ch. MIDDLE: At left side of table: S. E. Babington, dir.; Mrs. Babington; Tommye Thomas; Lilyvan Hattox; Mrs. E. L. Brier; and Mrs. Alice Johnson. At right side of table: Tom P. Brady Jr., v.p., James R. Moreton; W. B. Stuard; W. D. Lofton Jr., dir.; and Mrs. Lofton. BOTTOM: From left: James R. Moreton and John R. Doster, stockholders; and F. J. Rein, exec. v.p.

■ BANK OF OXFORD has elected Mrs. Bettye Jones operations officer and Mrs. Wilma Bunch operations loan officer. They are the first women officers in the bank's history.

■ MERCHANTS & PLANTERS, Hazlehurst, elected Mrs. Rachel H. Barlow an assistant cashier.

■ DOUGLAS A. HERRING, executive vice president, Security State, Starkville, was appointed chief administrative officer. Also advanced were: Ivan L. Hand, senior vice president and trust officer; Jack D. Cook, senior vice president; Robert Massey, vice president and cashier; Mrs. Helen Quinn, vice president; and Larry Jones, assistant cashier.

Mississippi Deaths

WILLIAM K. ANDERSON, 61, inactive vice president, Coahoma National, Clarksdale.

CHESTER C. THORNTON, 72, retired vice president, Mississippi Bank, Jackson.

W. P. Walker Elected Chairman Of City National, Dothan

DOTHAN—William P. Walker has been named chairman of City National. He will continue to serve as president, a position he has held since joining the bank in 1969.

During 1971, Mr. Walker was named Alabama's outstanding young banker of the year by the Alabama Bankers Association and recently was named outstanding boss of the year by the Dothan Jaycees.

Ike Rimson (l.), newly elected ch. emeritus, City National, receives plaque honoring him for his years of service at the bank. At right is William P. Walker, pres., who was elected ch. succeeding Mr. Rimson.

Ike Rimson, former chairman, will remain with the bank as chairman emeritus. He has been with the bank since 1952 and had been chairman since 1955. In recognition of Mr. Rimson's service, the bank renamed its community room at the Cherokee Branch the Rimson Room.

Alabama News

■ BANK OF HUNTSVILLE elected Jack G. Rainey assistant vice president in charge of dealer loans. He joined the bank's dealer installment department last August.

■ J. WESLEY DAVIS, former president, Bank of York, was named chairman to succeed R. L. Adams, who has resigned. Julian F. Walker, former executive vice president, is now president and Richard Walker, assistant cashier, was promoted to cashier. Nathan Watkins, attorney, was elected a director.

■ COMMERCIAL NATIONAL, Anniston, promoted Ray Hartwell from vice president to senior vice president. He came to the bank 25 years ago. Others promoted were: Marshall A. Brown, first vice president; Clay Slate, vice president and trust officer; Woodrow Truitt, assistant vice president and cashier; Sonny Phillips, Miss Carrie Williams and James Thrash, assistant vice presidents; and Jerry W. Morrison, loan officer.

■ MONROE COUNTY BANK, Monroeville, advanced Haniel Croft and Mrs. Mildred C. Dunning from vice presidents to senior vice presidents and Benson McLaurin from cashier to vice president and cashier.

■ FIRST NATIONAL, Hartford, has announced plans to expand and completely remodel its building. The expansion will include two new drive-in windows.

■ PEOPLES BANK, Montgomery, appointed Grover D. Jackson manager of the Master Charge department. He joined the bank last June.

■ RAGAN GODFREY was named loan officer at First City National, Gadsden. He has been with the bank since 1969 and is manager of the installment loan department.

■ GORDON JONES has resigned as president of Henderson National, Huntsville, to become president of First National, Decatur. He succeeds James Davis, who resigned from First National last year. Mr. Jones had been with Henderson National since 1968.

Louisiana News

■ SPRINGHILL BANK promoted Romeo A. Turgeon from assistant cashier to cashier, succeeding Earl Crews, who recently retired. Durwood White was advanced from assistant cashier to assistant vice president and James A. Griffin, senior vice president, was elected a director.

■ WEBSTER BANK, Minden, has begun construction on a new building to have 5,500 square feet of floor space and two drive-in windows. The bank, opened last July, presently is operating in temporary quarters.

■ HUEY MORRIS is the new president of Bank of Jena, succeeding Walter E. Dorroh, who was elected chairman. Mr. Morris joined the bank in 1970 as executive vice president and formerly was vice president and cashier at American Bank, Monroe.

■ W. LEROY MATTISON was elected president of Bastrop National, filling the vacancy created by the recent death of H. Webb Madison. Mr. Mattison had been a vice president. Also advanced were Richard W. Revels, from vice president to executive vice president, and W. E. Stevenson, from vice president to senior vice president.

■ MERCHANTS & FARMERS BANK, Leesville, promoted Bobby G. Dowden from assistant cashier to assistant vice president. Elected a director was William L. Williams, co-owner of a lumber company.

■ JOHN W. ROACH has joined Catahoula Bank, Jonesville, as a vice president. He replaces James F. Walden, who resigned recently to become vice president and branch manager, Shreveport Bank. Mr. Walden had been with Catahoula Bank for five years.

Guaranty Bank of Alexandria Announces New Promotions

ALEXANDRIA—Guaranty Bank has announced several promotions and new appointments.

James S. Morris, assistant cashier, was promoted to assistant vice president. He joined the bank in 1969 as manager of the BankAmericard department and was elected an assistant cashier in 1970.

Other promotions included: John M. Whaley, from assistant trust officer to trust officer; Thomas W. Guinn and W. Fred Dyer, from assistant cashiers to data processing officers; and Joe R. Cicardo, from assistant cashier to loan officer.

New officers elected were: John Maillet, correspondent banking officer; H. J. Bonnette, Walter Dupuy, Gerald Fuqua, Johnnie Melder, Larry Wainwright and Jerry P. Wood, loan officers; and Alan Andries, Mrs. Beverly Constance, Mrs. Vonnie Nugent, Willis Ryland and Steven Shine, administrative officers.

Miss Joyce Salisbury and Mrs. Alice Wood were named administrative assistants.

■ C. E. DRANGUET JR., former vice president, Exchange Bank, Natchitoches, was promoted to executive vice president and elected a director. He has been with the bank since 1961 and was elected vice president in 1969.

■ RUSSELL F. HAAS, executive vice president, Guaranty Bank, Gretna, was elected a director.

■ TRI-PARISH BANK, Eunice, recently held dedication ceremonies for its new building.

BNO

reports 1971 results—with a deep bow of thanks to our correspondent banks for helping us set records. In every growth category, BNO significantly exceeded the combined rate of growth of all New Orleans banks—1971 versus 1970.

Total Resources—Growth:

AVERAGE OF ALL BANKS 19.3%
BNO 30.1%

Deposits—Growth:

AVERAGE OF ALL BANKS 19.3%
BNO 29%

Capital Funds—Growth:

AVERAGE OF ALL BANKS 6.1%
BNO 10.9%

Investments—Growth:

AVERAGE OF ALL BANKS 30%
BNO 84.5%

Loans—Growth:

AVERAGE OF ALL BANKS 15.3%
BNO 16.7%

Forecast: You and we should have an even greater '72. It has already begun!

THE BANK OF NEW ORLEANS AND TRUST COMPANY

NEW BNO MAIN OFFICE COMMON & O'KEEFE MEMBER F.D.I.C.

Arkansas News

Worthen Bank of Little Rock Elects AVP, New Director

LITTLE ROCK—Lawrence E. Mobley has been elected an assistant vice president of Worthen Bank. He joined the bank in 1971 and had marketing responsibilities until his recent appointment as manager of the business development department.

Elected a new director of Worthen Bank was Right Reverend Christoph Keller Jr., Episcopal Bishop of Arkansas.

First National of Hot Springs Announces Seven Promotions

HOT SPRINGS—First National has announced seven officer promotions. Advanced were: Larry W. Brian, from assistant trust officer to trust officer; Donnie G. Plummer, from assistant auditor to auditor; and Mrs. Ruth Cummins, assistant cashier and loan officer, to manager of the safe deposit department.

Other new appointments included: John W. Woodworth, personnel officer; Mrs. Linda Dean, assistant branch officer; Mrs. Francelle Leford, marketing officer; and Mrs. Carolyn Bell, assistant auditor.

■ PROMOTED at First National Bank of Commerce, Paragould, were Eldon Hodge, from assistant cashier to assistant vice president, and Mrs. Pat Chesser, Mrs. Barbara Vance and Larry Shelton, to assistant cashiers.

■ STATE FIRST NATIONAL, Texarkana, has elected Miss Martha Farnsworth assistant trust officer and Miss Nancy Rankin assistant cashier.

■ LOUIS W. EDERINGTON, former vice president, Warren Bank, was elected president, succeeding the late J. B. Frazer. Mr. Ederington becomes the third member of his family to head the bank. S. B. Meek was elected vice president and Mrs. Pauline S. Hollingsworth and James F. Smith were promoted from assistant cashiers to assistant vice presidents. John B. Frazer Jr. was elected a director.

■ PEOPLES BANK, Mountain Home, recently completed a $430,000 remodeling and expansion program. Floor space was expanded from 4,000 square feet to 13,000 square feet and added were two additional drive-in windows, four new teller stations in the bank's lobby, a walk-up window and employee lounge.

■ MERCHANTS & PLANTERS, Camden, appointed Billy G. Wright an installment loan officer. He comes to the bank from Simmons First National, Pine Bluff, where he was a retail credit officer. He had been with that bank three years.

■ GERALD D. BURTON has resigned as vice president, cashier and trust officer of Warren Bank to become president of Union Bank, Monticello. He succeeds Evert Twyford, who has purchased controlling interest in First National, Fordyce.

Commercial Nat'l Income Up

LITTLE ROCK—Net income for 1971 for Commercial National and Commercial National Mortgage Co. amounted to $6.26 per share, compared with 1970 figures of $5.96 per share. Net income was $764,000 for 1971, compared to $727,000 for 1970.

The bank has announced the election of Barnett Grace as assistant trust officer.

■ FIRST NATIONAL, Harrison, elected William R. Shaddox vice president and trust officer and Bobby L. Pinson vice president and farm representative. In other action, the bank announced plans to begin an expansion program to include an additional 2,000 square feet of floor space and a second drive-in window.

■ WILLIAM E. BOONE was elected assistant cashier of First National, Wynne. He has been with the bank since 1966. J. L. Shaver Jr., attorney and state representative, was elected a director.

■ H. H. COOPER has retired as chairman of Planters Bank, Forrest City. He had been with the bank since 1948. Miss Diana Arwood was promoted from cashier to vice president and cashier. Elected new directors were: J. R. Chappell Jr., cotton merchant and farmer; Reno France, who has extensive farming interests; and Buddy Jayroe, manager of St. Francis Farmers Co-op.

■ MRS. ANN JONES was promoted to assistant cashier of Cross County Bank, Wynne. She joined the bank in 1960.

Union Nat'l Declares Dividend

LITTLE ROCK—The board of Union National has announced a 25¢ per share cash dividend, payable to stockholders of record of January 20. The dividend reflects a substantial increase in deposits—50% in shortly more than a year's time—and a turnaround in earnings growth, according to Herbert H. McAdams, chairman.

"The dedicated work of the directors, officers and staff and help from friends and customers, old and new, has resulted in the bank's earnings being one year ahead of projections," Mr. McAdams said.

■ CITIZENS BANK, Batesville, has elected two new directors. They are Charles Arnold, cashier, and M. F. Highsmith, businessman and attorney.

■ BASIL MOODY, president, Citizens Bank, Van Buren, has sold controlling interest in the bank to Doyle Hopkins and associates. Mr. Hopkins, formerly a director, was elected chairman and Dane Riggs was named president and a director. Mr. Riggs formerly was an officer of City National, Fort Smith.

■ GRADY WATKINS JR., former executive vice president, Little River Bank, Lepanto, has been elected president. He succeeds Daniel F. Portis, who was named chairman. T. G. Thompson Jr. was advanced from cashier to vice president and cashier. He also was elected a director, along with Thomas B. Goldsby III.

■ BODCAW BANK, Stamps, elected Danny E. Fitzpatrick an assistant cashier.

■ CITIZENS BANK, Bearden, recently held groundbreaking ceremonies for its new building. The structure is expected to cost about $150,000 and will have 3,200 square feet of floor space.

■ RON W. GILL and Perrin L. Jones were promoted from assistant cashiers to assistant vice presidents, National Bank of Commerce, El Dorado. Larry Kinard, vice president and cashier, was named secretary to the board. The bank also announced plans to construct a new, three-story building, to be completed in early 1973. Bank Building Corp., St. Louis, was the consultant and contractor.

■ FIRST AMERICAN NATIONAL, North Little Rock, has elected Robert Bell assistant cashier. He joined the bank in 1968.

■ W. M. (MARK) SMITH III was elected a director of Bank of Cherry Valley. He is the third generation of his family to serve as a director.

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Any correspondent service you need.

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FIRST NATIONAL BANK OF MEMPHIS

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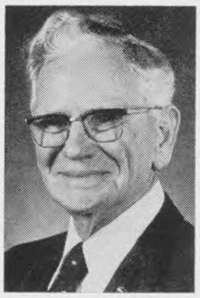
Texas News

Baldwin Retires as Vice Pres. Of Texarkana National Bank



BALDWIN

TEXARKANA—R. B. Baldwin has retired as vice president and senior trust officer of Texarkana National, a position he had held for the past six years.

Mr. Baldwin joined the bank in 1924, was elected an officer in 1942 and a director in 1961.

New Appointments Announced By Pearland State Bank

PEARLAND—Several officer promotions have been announced by Pearland State.

Advanced were: Anthony Canino Jr., from vice president to senior vice president; B. L. Corley Jr., from assistant vice president to vice president; and Mrs. Betty Wigley to assistant cashier. C. L. Spears, cashier, was elected a director of the bank. He had been serving as advisory director.

In other action, directors of the bank authorized a transfer of $200,000 from undivided profits to surplus.

■ FIRST NATIONAL, Granbury, elected James G. Hodges an assistant cashier.

■ EDWARD D. FEHLER was elected assistant cashier in the installment loan department of First National, McGregor. He joined the bank in 1969.

■ CITIZENS STATE, Kilgore, has elected Harold C. Matthews an assistant vice president.

■ GRUVER STATE recently held groundbreaking ceremonies for its new building. The structure, to include a drive-in window and community room, is scheduled for completion in September.

■ RIVER OAKS BANK, Houston, elected two new directors. They are E. James Lowrey, senior vice president and head of the fiduciary division, and Joseph Jaworski, partner in a law firm.

■ FIRST NATIONAL, Cisco, made the following promotions: Mrs. Charlotte Hastings, from cashier to assistant vice president; James Choate, from assistant cashier to cashier; and Mrs. Brenda Lane and Mrs. Peggy McDaniel, to assistant cashiers.

■ CITIZENS NATIONAL, Ennis, advanced Donald M. Croft from vice president to executive vice president and Mrs. Helene C. Valek from cashier to vice president and cashier. Mr. Croft joined the bank in 1967 and Mrs. Valek in 1951.

■ BRUCE BOYD has joined State National, Groom, as vice president. He comes to the bank from First State, Eldorado, Okla., where he was president.

■ BILL CARPENTER was elected a vice president of Kleberg First National, Kingsville. Mr. Carpenter, who formerly was an assistant vice president in the loan department, has been with the bank one year.

■ STATE BANK, Kingsville, promoted Bill Flynn, cashier, to vice president and cashier.

First State Promotes Officers, Appoints New Directors

ABILENE—First State has announced several changes in officer titles including: Sydney E. Niblo, from vice president to executive vice president; Lavelle Layfield, from vice president and trust officer to senior vice president; Jim W. Westbrook, from assistant vice president and trust officer to vice president and trust officer; and John Kimble, from assistant vice president to vice president.

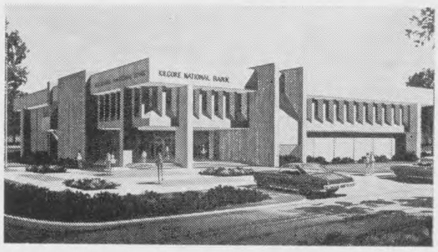
L. H. Mosley has resigned as vice president of the bank. Jerry Murry, formerly manager of the Master Charge division, was elected an assistant vice president. Connie MacSkaggs was named manager of the Master Charge division, succeeding Mr. Murry.

New directors are Mrs. Bernice Proctor, Abraham Allen, Jim Tittle and Charles Coody. Mrs. Proctor is the first woman director in Abilene's banking history, according to First State.

S. M. Moore Jr., Jim Rose and J. E. Smith are new advisory directors. Mr. Smith, vice president and trust officer, formerly was a director.

In other action, the bank increased capital from $960,000 to $1,040,000.

New Home of Kilgore National



Above is an artist's rendering of Kilgore National's new $750,000-building. The two-story structure has 19,000 square feet of floor space, four drive-up stations, an unusual "L"-shaped lobby and landscaped courtyards.

■ INTERNATIONAL BANK, Houston, has advanced Miss Annette Mandola to assistant vice president and Miss Ruth Stockman and Miss Fern Plant to assistant cashiers.

■ CENTRAL NATIONAL, San Angelo, promoted Herb Fulcher from vice president and cashier to senior vice president and cashier. He came to the bank in 1965.

■ FIRST NATIONAL, Athens, promoted two officers. Linden R. Lewis, former vice president, was elected senior vice president and Mrs. Lynn Barton, former vice president and cashier, was named senior vice president and cashier.

■ TERRY JOE MORROW is the new president of Elsa State, succeeding Conly Bell, who was elected vice chairman. Mr. Bell has been a director since 1959 and president since 1969. Mr. Morrow joined the bank in 1970 as executive vice president and a director.

■ FIRST NATIONAL, Brownwood, has elected two new directors. They are H. A. Bennett, president of a real estate development and construction firm, and Dr. Seale T. Cutbirth, physician and surgeon.

■ DIRECTORS of Bowie County State, Hooks, recently voted to increase capital from $100,000 to $200,000 and surplus from $100,000 to $200,000.

■ GEORGE M. CREWS, president, Southwest State, Brownwood, has been elected president and chairman. Other new appointments included: Max Malone, senior vice president and director; Finis Butler, vice president and cashier; Burnell Vincent, assistant cashier; and William B. Roberts, agricultural and real estate representative.

Texas Death

TIEMAN H. DIPPEL SR., 61, president and director, Farmers National, Brenham, and president, Farmers State, Chappell Hill.

Gabriel Named VP, Controller At Bank of New Mexico

ALBUQUERQUE—Robert E. Gabriel has joined Bank of New Mexico as vice president and controller.

Previously, he was audit manager for Peat, Marwick, Mitchell & Co., directing audit engagements and personnel. He had been with the firm 20 years.

■ GRANTS STATE promoted Richard G. Bailie, cashier, to vice president and cashier and Mrs. Helen Skrla, assistant cashier, to assistant vice president. Mr. Bailie has been with the bank since 1966 and Mrs. Skrla since 1961.

■ ROBERT R. DROBEL has been elected assistant vice president of Roswell State. He has had 25 years' banking experience in southeastern New Mexico in farm, livestock and agricultural financing.

■ HOT SPRINGS NATIONAL, Truth or Consequences, promoted Mrs. Mary Helen Martinez to assistant vice president and comptroller and Mrs. Faye Crooks to assistant cashier in charge of the bookkeeping and proof departments. Mrs. Martinez joined the bank in 1957 and was named assistant cashier in 1965. Mrs. Crooks has been with the bank since 1966.

New Mexico News

■ FIRST NATIONAL, Portales, has elected John J. Maloney president. He has been with the bank two years and had been serving as executive vice president and trust officer. Mr. Maloney succeeds William Bunch, who is now vice chairman.

■ FARMERS & MERCHANTS, Las Cruces, has announced the following promotions: Jack Cathcart, vice president and cashier; Gerald Berg and Jack Price, vice presidents; Tim Arend and G. Terry Moss, assistant vice presidents; Dennis Reid, assistant cashier; and Larry Traux, auditor. Mr. Cathcart succeeds Al Rohne, who has resigned as cashier of the bank. R. E. Boney retired as a director and was elected to an advisory position. R. D. Heckler, executive vice president, was elected a director to succeed Mr. Boney.

■ JOHN G. HOAGLAND has joined First National Bank of Dona Ana County, Las Cruces, as vice president and marketing director. He formerly was vice president of two advertising agencies in New York City. Ben H. Haines Jr., cashier, was elected vice president and cashier. Advanced from assistant vice presidents to vice presidents were Thomas N. Mobley Jr., John A. Papen III and Roy E. Bruner. Also promoted were: Donovan J. Thomas and Dave Sims, assistant vice presidents; James DeBlois, credit manager; Frank Eastland, assistant trust officer; and Steve Bell, operations officer.

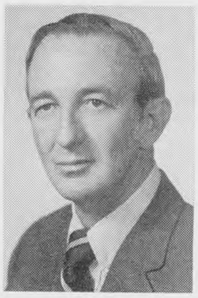
■ NEW MEXICO BANK, Hobbs, has elected Randall K. Montgomery a director. He is executive vice president of New Mexico Electric Service Co.

■ JOHN M. BRENNER, formerly vice president, has been elected president of First State, Taos. He has been with the bank since 1960. The bank also announced that Mrs. J. P. Brandenburg has retired as a director and that Milo L. McGonagle replaces her on the board. Mr. McGonagle is executive vice president and a director of New Mexico Bancorp., Inc., and senior vice president of First National, Santa Fe.

■ JOHN B. KING was elected a director of International State, Raton. He is managing partner of King Investment Co.

Harold F. Hopkins Is President Of First State Bank, Picher

PICHER—Harold F. Hopkins has purchased controlling interest in First State and is the bank's new president. He recently resigned as vice president in the correspondent department of First National, Oklahoma City.



HOPKINS

At First State, Mr. Hopkins succeeds Mrs. L. B. Chambers, who was elected chairman. W. A. Brewer, former cashier, has retired and is succeeded by Mrs. Harold F. Hopkins.

■ ROGERS COUNTY BANK, Claremore, has increased its capital and surplus to a total of $600,000.

■ FIRST NATIONAL, Claremore, has advanced the following officers: Bob C. Roden, from vice president to senior vice president; Jack E. Majors, from assistant vice president to vice president; James S. Hoagland, from assistant cashier to cashier; and Miss Wanda Inman, to assistant cashier.

Oklahoma News

■ DON WYRICK has been promoted to executive vice president and Vance Greene to senior vice president, First State, Idabel. Both had been vice presidents. Jimmy Burks, former assistant cashier, was elected assistant vice president.

■ RALPH GEISENHONER has retired as president and chairman of Cache Road National, Lawton. He has been with the bank since 1964 and will remain a director. Dr. Herbert H. Howard, director, was elected the new president and chairman. Also promoted were Wiley G. Sartin, from vice president and cashier to executive vice president and managing officer, and James H. Lents, from assistant cashier to cashier.

■ FIRST NATIONAL, Durant, made the following promotions: Albert W. Mason, from president to chairman and chief executive officer; Joe W. Gibson, from executive vice president to president; and Weldon McGraw, from cashier to vice president and cashier.

■ CITY NATIONAL, Lawton, elected Robert G. Lawrence vice president and trust officer. He had been auditor for the past four years. Jim A. Hendrick, former president of Bank of Granite, was elected a vice president of City National, Terry L. Scruggs was named cashier and Kenneth Klos assistant vice president. Jackie Daves was appointed auditor of City National and of Fort Sill National.

■ THOMAS TARPLEY, former president, Citizens National, Muskogee, has been elected chairman. Justin W. Campbell was advanced from vice president and cashier to president. Buford D. Groom, former vice president, was elected senior vice president and M. M. Adams was advanced from assistant vice president to assistant vice president and cashier.

■ STOCK YARDS BANK, Oklahoma City, elected Bill E. Barnes and W. P. Duke Evans directors. Mr. Barnes is president and chairman of a brokerage company and Mr. Evans is president of a home furnishings company.

■ ALLAN D. WILLIAMS, vice president, Fidelity Bank, Oklahoma City, has been elected president of the Southwest American Livestock Foundation for 1972-73.

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Last half. 18 seconds to go. Score's tied. Your center just fouled out and you're being pressed in the backcourt. What do you do? Charge through? Go for the fast break? Pass off?

Same is true with your correspondent. Sometimes it is the better part of valor to call "Time" and talk it over with someone who's on your side. Like Fourth National . . . The *Action Bank* of Tulsa.

The Fourth can really prove its worth to you when you're starting your big drive by putting our many specialists to work on your team.

Does this sound like the Fourth National is the type of correspondent you'd like to have on your team? If so, call Glenn "Red" Ward or Wilbur Waters and tell him what you have in mind. They have the know-how to help you get things going . . . and keep them that way.

Remember: When you want *Action* from your correspondent, contact the *Action Bank* of Tulsa . . . Fourth National. That's where it all starts.

The Action Bank of Tulsa

FOURTH NATIONAL BANK
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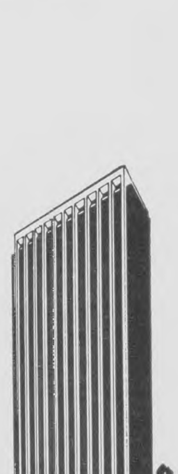
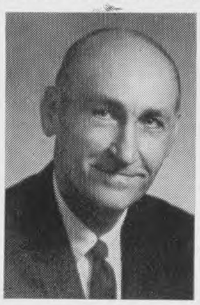
TULSA, OKLAHOMA 74103



Kansas News

J. Rex Duwe Gets New Post At Farmers State, Lucas

LUCAS—J. Rex Duwe, vice president of the Kansas Bankers Association, has advanced from president to chairman and cashier of Farmers State. William D. Duwe, who was executive vice president and cashier, has been elected president.


DUWE

J. Rex Duwe is president of two banks, Sylvan State and Traders State, Glen Elder. He is a former mayor of Lucas and was state highway commissioner, 1962-68. He is a 1954 graduate of the Graduate School of Banking at the University of Wisconsin.

Security State, Great Bend, Begins Remodeling Program

GREAT BEND—Security State has begun a major remodeling program of the interior of its building. The remodeling was brought about by the recent move of a radio station from the building, vacating about 3,000 square feet of space to be occupied by the bank.

Plans call for the consumer loan and bookkeeping departments and directors' rooms to be located in the former radio station area and for a new layout of offices for bank officers. The lobby and teller area will remain the same except for new furnishings.

The remodeling will result in a 50% increase in space for Security State's banking services. Completion is expected in the summer.

■ ROBERT P. EBERSOLE has been named chairman of Life Insurance Co. of Kansas, based in Wichita. Mr. Ebersole, who continues as president of First National, Hays, was formerly vice president of the life insurance firm.

■ W. R. ROBBINS has been elected president of Farmers State, Albert, succeeding R. J. Pivonka, who has retired after 54 years of service with the bank. Clarence Wilson was named chairman and Lynn Keller a director. Promoted were Donald Hanhardt to cashier and William D. Berschauer to assistant cashier.

■ STATE EXCHANGE, Yates Center, has announced plans to construct a new building. Construction is scheduled to begin in July and is expected to be completed in April, 1973.

■ ANDERSON CHANDLER, president, Fidelity State, Topeka, recently was presented the "Boss of the Year" award by the Topeka Jaycees. Ten years ago, the group awarded Mr. Chandler the "Young Man of the Year" distinguished service award.

■ INDEPENDENCE STATE recently elected four new assistant cashiers. They are Miss Frances E. Steele, Paul D. Pankey, Miss Maxine Scott and Miss Marie Taylor.

■ LARRY K. WILLIAMS, former executive vice president, Halstead Bank, has been elected president. He succeeds C. A. Williams, who was named chairman. Elected assistant cashiers were Miss Pamela M. Galliart and Miss Inez M. Unruh.

■ CHESTER W. OBERG, president, Union State, Clay Center, was named "Outstanding Boss of the Year" by the Clay Center Jaycees.

■ PEOPLES BANK, Pratt, promoted Thad Henry and Steven K. Mills from assistant cashiers to loan officers. Leon H. Mahoney, vice president, was elected a director. In other action, the bank increased capital stock from 20,000 shares to 30,000 shares through a stock dividend. Capital and surplus now total $1.2 million.

Group Education Dinners Planned By Kansas Bankers Association

The Kansas Bankers Association will hold its group education dinners, sponsored by the KBA education commission, late this month and in early April.


METZGER

Dinner speaker at the meetings will be James Metzer, vice president and director of public relations, Security Benefit Life Insurance Co., Topeka. William Adkins, vice president, First National, Topeka, and chairman of the KBA education commission, is in charge of overall arrangements.

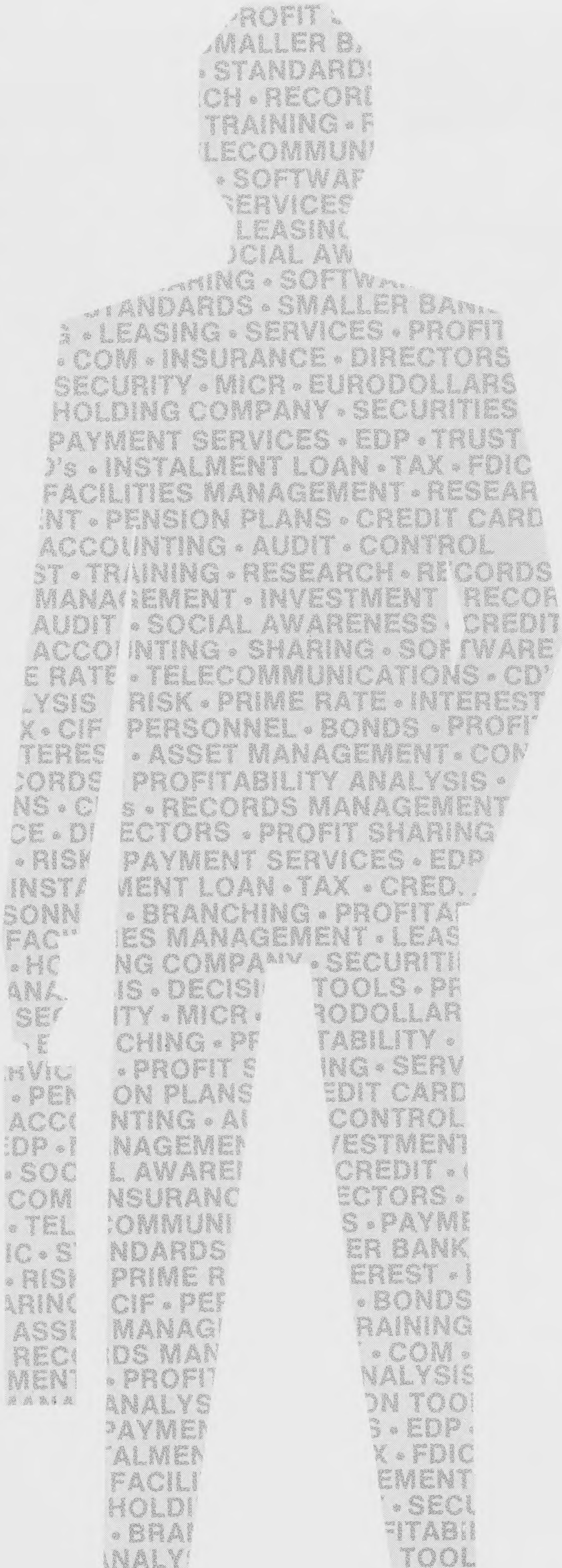
The dinners will be held as follows:

GROUP 1: April 5, University of Kansas Student Union, Lawrence.
GROUP 2: April 6, Central Park Pavilion, Chanute.
GROUP 3: April 4, Belleville High School, Belleville.
GROUP 4: March 30, Century II, Wichita.
GROUP 5: March 28, Elks Club, Hoxie.
GROUP 6: March 29, Community College Student Union, Dodge City.

■ L. W. STOLZER, former executive vice president, Union National, Manhattan, has been elected president. He succeeds W. B. Glenn, who was named vice chairman. Promoted were Gary Rumsey and Kenneth W. Thomas, from assistant vice presidents to vice presidents and Kenneth M. Warren Jr. to assistant cashier. Newly elected directors are Mr. Rumsey; Thomas R. Lee, vice president and cashier; and Roger Batson, vice president.

■ FIRST STATE, Salina, has elected three new directors. They are Gerald F. Simpson, vice president; Dr. Delmas A. Jackson; and Wayne Weeks, president of a grocery company. The bank has begun an expansion program that will more than double existing space in its building. Completion is due in May.

■ FARMERS & MERCHANTS STATE, Derby, advanced Mrs. Charlotte Stelljes from assistant cashier to vice president. Dale W. Esmond, executive vice president, was elected a director.



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Eastern Regional	Charleston, S.C.	April 9-11
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Southern Regional	Tulsa, Oklahoma	May 14-16
Western Regional	Portland, Oregon	June 4-6
National Convention	Kansas City, Mo.	Sept. 24-27

BANK ADMINISTRATION INSTITUTE
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Missouri News

City Bank, St. Louis, Unveils New Building

This mural on "The Story of Money" by St. Louis artist, Siegfried Reinhardt, is the focal point of the lobby of the new quarters of City Bank, St. Louis. Civic dignitaries, community leaders and bank officials took part in a brief dedication ceremony February 14, followed by a party for bankers from other banks that evening. Also, during that week, the bank held a series of preview receptions and a public open house the next week. The 12-year-old bank occupies two floors of its new six-story structure, with the other four floors to be leased to commercial tenants. There are three underground-parking levels that accommodate more than 200 cars. TV drive-up and walk-up equipment was supplied by Meilink Bank Equipment, Toledo, O.

■ SHAREHOLDERS of Country Club Bank, Kansas City, voted a 50% stock dividend, increasing number of shares outstanding from 80,000 to 120,000 and increasing capital from $400,000 to $600,000. Capital and surplus now stand at $1 million.

■ DALE WHARTON, assistant cashier, Bank of Knob Noster, has been elected a director of the bank.

■ LARRY G. DAVIS, installment loan officer, has been promoted to assistant vice president of First National, Cape Girardeau.

■ MRS. LENA SOLLARS was elected an assistant cashier of Adrian Bank.

■ SMITHTON BANK elected David B. Keller a director. He is manager of a discount store.

C. E. Silva Receives Promotion At First North County Bank

SILVA

JENNINGS—First North County Bank has promoted Charles E. Silva Jr. from treasurer and assistant secretary to vice president and treasurer. He has been with the bank nine years and is a graduate of St. Louis University.

Robert A. Julien, former assistant treasurer, was elected assistant vice president. He is assistant manager of the installment loan department and has been with the bank nine years.

■ SOUTHERN MISSOURI TRUST, Springfield, recently announced five promotions. Advanced were: John Duke, data processing manager; Keith M. Huff, assistant trust officer; G. Dan Wissinger, assistant secretary; Kenneth Fitzpatrick, installment loan officer; and Thomas W. Faucett, assistant data processing officer.

■ NEWELL A. BAKER has been elected a director of Manchester Bank, St. Louis. He is president of J. D. Streett & Co., Inc.

H. T. Harlin Elected Chairman Of Bank of Gainesville

GAINESVILLE—H. T. Harlin, former president of Bank of Gainesville, has been elected chairman and chief executive officer. John L. Harlin, former executive vice president, was appointed president. Gregory Granello was advanced to operations officer.

In other action, the bank's board declared a 50% stock dividend, increasing capital to $198,750.

■ EXCHANGE BANK, Richmond, increased its surplus from $400,000 to $600,000.

■ MRS. MARGARET A. LANGE and Richard J. Tiemeyer have been promoted from vice presidents to senior vice presidents at Bank of Crestwood. Mrs. Genevieve Brostron, formerly assistant cashier, has moved up to assistant vice president, and the bank named four assistant cashiers—Mrs. Norma Ford, Frank Albanello, Miss Patricia Prag and Miss Carol Sterling.

■ EARL D. PEPPERS and Jerry L. Byrd have been elected vice presidents of St. Johns Community Bank, St. Johns. Both were assistant vice presidents in the loan department. William O. Robards was promoted from assistant cashier to assistant vice president.

Says William T. Boehm, President, Pioneer Bank & Trust Co.

"That old Pioneer spirit is alive and well in our new St. Louis headquarters . . ."

"Despite automation and other electronic advances that make modern banking more efficient, there's still nothing more important to a bank than its attitude toward customers. Evidently our 'Pioneer spirit' has paid off, because we've showed remarkable gains in recent years.

"We now have five drive-up facilities, three parking areas, and a staff of 60. Thanks to our 'Pioneer spirit,' we're one of the fastest-growing banks in the entire St. Louis area. Next time you're in our neighborhood, we'd enjoy showing you around."

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Seven Promotions Made At First Nat'l, Joplin

JOPLIN—First National has elected two new executive vice presidents. They are H. Preston Pate, who is responsible for all commercial functions within the bank, and Duane D. Lawellin, responsible for all trust operations.

Mr. Pate, former senior vice president, joined the bank in 1958. Mr. Lawellin came to the bank in 1960 and had been serving as senior vice president and trust officer.

Carroll A. Knost was promoted from vice president to senior vice president and head of the commercial loan division, a position previously held by Mr. Pate. Mr. Knost has been with the bank since 1963.

KNOST PATE LAWELLIN

Promoted from assistant cashiers to second vice presidents were: Glenn Meadows, commercial loan officer; Charles L. Patterson, new accounts officer; and Mrs. Margaret Harris, manager, statement and customer service departments.

Dennis DeGraff was elected an assistant cashier. He is a systems analyst and programer in the data communications division.

■ NORTH SIDE BANK, Jennings, promoted Mrs. Kathleen Graf from assistant cashier to cashier; Glenn R. Clemson from assistant cashier to assistant vice president; Robert E. Wienert from assistant data processing officer to assistant vice president; and Mrs. Dorothy K. Jetton to assistant cashier.

■ SOUTHWEST BANK, St. Louis, is seeking approval to establish a facility on the parking lot of Famous-Barr Co.'s Southtown store.

■ PAUL J. KOHNEN, president of Crest Bowl, has been elected a director of Florissant Bank. He replaces Joseph C. Moellering, who has become an advisory director. Mr. Moellering retired from the real estate business six years ago.

■ PAUL ARNOLD has been elected a director of Bank of Orrick. He succeeds C. A. Gooch, who has resigned. Mr. Arnold is co-owner of Arnold Brothers Elevator.

■ UNION NATIONAL, Springfield, elected William T. McQueary a director. He is a pharmacist and president of a drug company.

MILLER APPLER WOLFF

Fidelity Bank Opens Doors Despite Pending Lawsuit

CREVE COEUR—Fidelity Bank recently opened for business here despite a pending lawsuit challenging its charter. Creve Coeur Bank appealed the new bank's charter grant, claiming there was no need for another bank in the city.

Officers of Fidelity Bank are: president, Arlie A. Appler Jr., formerly with First Security Bank, Kirkwood; chairman, Robert S. Wolff, president of a savings and loan company; and executive vice president and treasurer, Oliver J. Miller Jr., formerly with Southern Commercial & Savings, St. Louis, and Arnold Savings.

The bank ran newspaper ads on opening day reading, "We're 87 Years Old . . . Today!" and showed a picture of bank employees holding "Grand Opening" signs. Eighty-seven years is the combined banking experience of employees at Fidelity Bank, "The Friendly Bank Around the Corner."

Bank Completes New Building

Bank of Bismarck has completed construction on its new building. The structure has 3,472 square feet of floor space on one level. Contract manager and general contractor was Bunce Building Corp., St. Louis, and interior design and furnishing was done by Bank Interiors, a division of Bunce.

■ LINDBERGH BANK, Hazelwood, elected Joseph C. Findlay Jr. cashier and Gary D. Kessler assistant vice president. Both had been assistant cashiers.

Index to Advertisers

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EXTERIOR of Pioneer Bank's new building features travertine marble with areas of solar bronze glass.

Pioneer Bank Moves to New Quarters In Two-Story, Contemporary Building

SHOWN participating in Pioneer Bank's ribbon-cutting ceremony are: (from l.) James B. Hutchings, pres., Manchester Insurance & Indemnity Co.; Lee M. Duggan, mayor of Richmond Heights; Thomas S. Richardson, mayor of Maplewood, and William T. Boehm, ch. and pres. of the bank.

PIONEER BANK of Maplewood, Mo., has moved into new quarters and held a ribbon-cutting ceremony and two-day open house. Maplewood is a St. Louis suburb, and the bank—in its new home—also is located close to another suburb, Richmond Heights.

Participating in the ribbon-cutting ceremony were William T. Boehm, chairman and president of the bank; James B. Hutchings, president, Manchester Insurance & Indemnity Co.; Lee M. Duggan, mayor of Richmond Heights; and Thomas S. Richardson, mayor of Maplewood.

The two-story structure is of contemporary design. Its exterior is sheathed in travertine marble with massive areas of solar bronze glass, specially designed for reducing glare in summer and absorbing heat in winter.

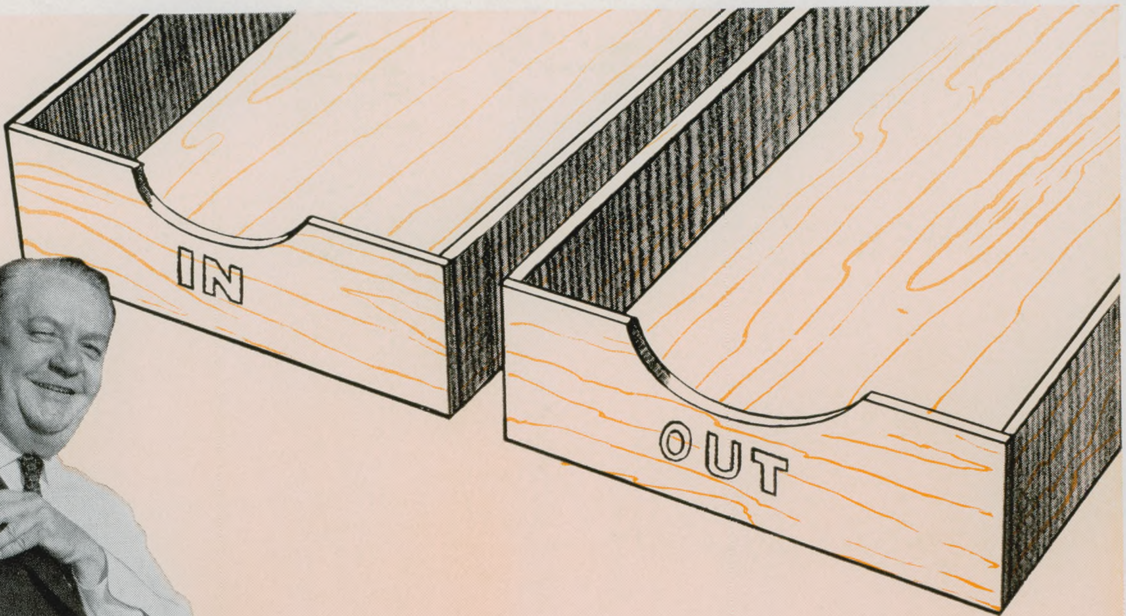
The bank's lower level contains an expanded installment loan department, bookkeeping facilities and more than 2,000 safety deposit boxes with five coupon rooms. An assembly room, board room and employee facilities also are on the lower level.

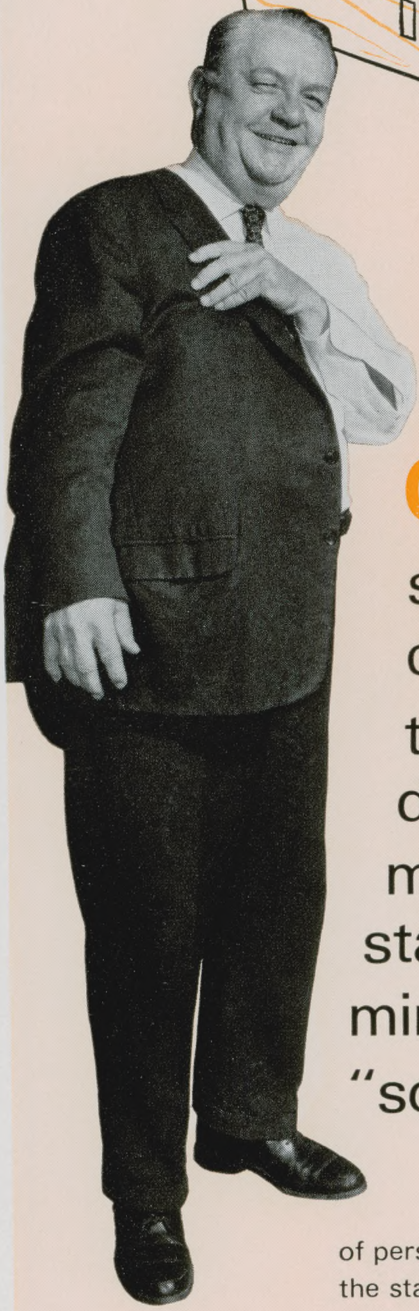
The second level, which has 13 teller stations, is suspended by three large piers, resulting in the main banking floor being about six feet above the surrounding street intersection.

Lighting for the building features a new application of a recent development in lighting technology that emits a warm, golden, highly efficient lighting, new to any bank in St. Louis, according to Pioneer Bank. The new Ceramalux light source is said to be two and one-half times as efficient as previous systems.

The bank has a five-car drive-up facility, including four pneumatic stations, one drive-up window for commercial use and one walk-up window. Adjacent parking areas can accommodate 73 cars.

Pioneer Bank recently reported a 22% increase in deposits—from $23,588,000 at December 31, 1970, to $30,173,000 at December 31, 1971. Total assets increased from $28,693,000 to $35,041,000 for the same period. Net operating earnings after taxes and transfers to reserves were $3.82 per share, compared to $3.52 per share in 1970. • •





day in, day out

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"

Evidently quite a throng of bankers in the St. Louis Trade Area do. Perhaps it has something to do with S.Y.B.'s unique qualities of personal knowledge of your varying local situations and the authority of the staff to make decisions.

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