MID-CONTINENT BANKER

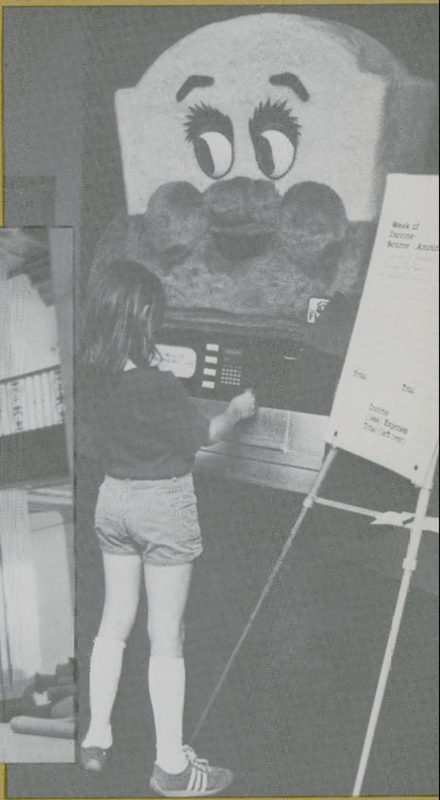
(ISSN 0026-296X)

The Financial Magazine of the Mississippi Valley & Southwest

AUGUST, 1980

Community Involvement

See Page 30



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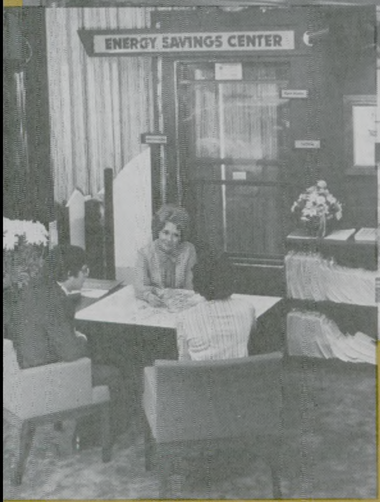

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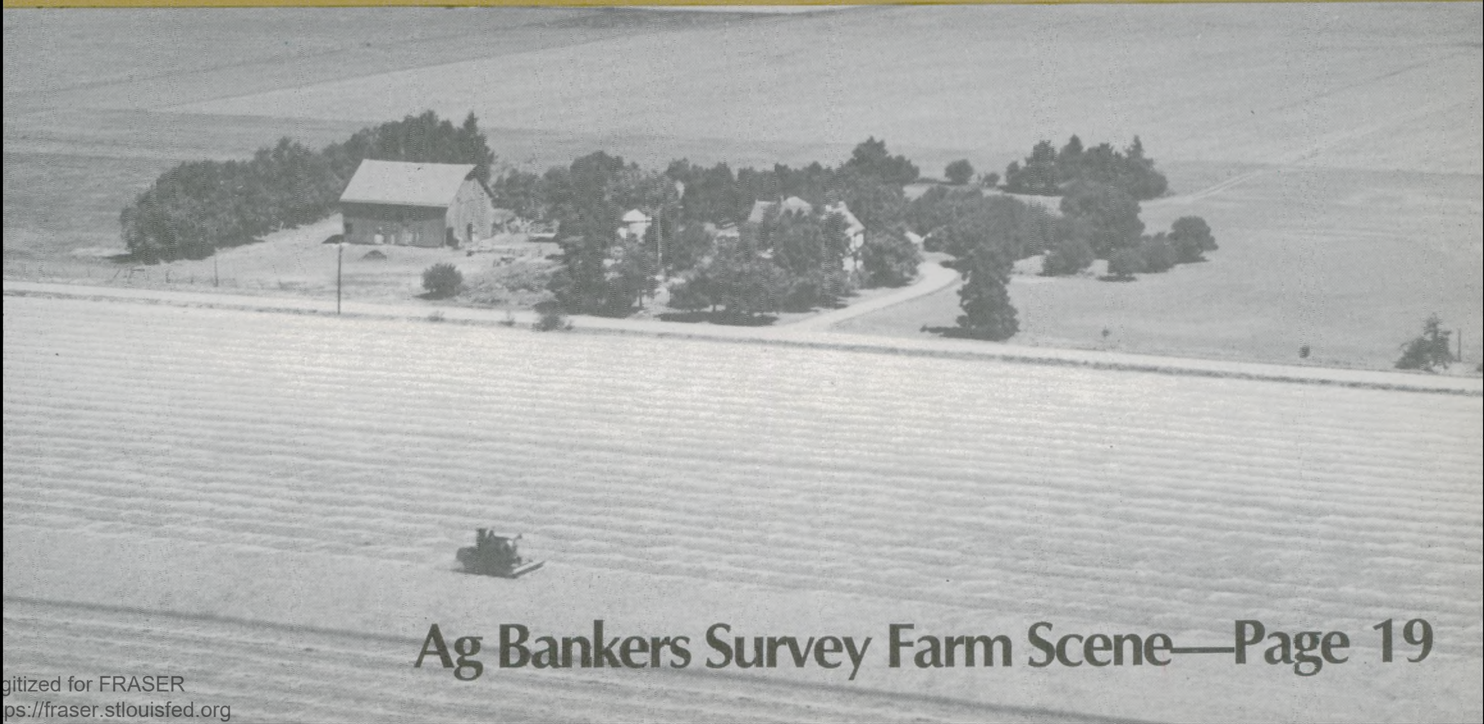
Agribusiness



Ag Bankers Survey Farm Scene—Page 19

Liberty looks at:

Energy leaders with Oklahoma roots.

All Oklahomans benefit from the jobs and salaries provided by the oil industry. From world-wide energy developers to regional independent oil producers, hundreds of oil companies have grown from Oklahoma roots, many aided by financing from Liberty Bank through the years. Just one example is the Energy Company which owns the drilling rig shown here. It all began in 1957 and continues today, with Liberty as its major source of financing.

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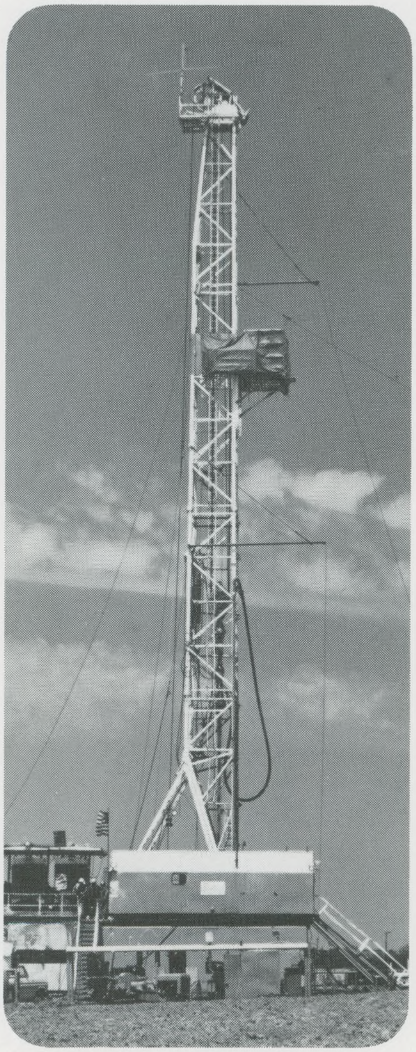

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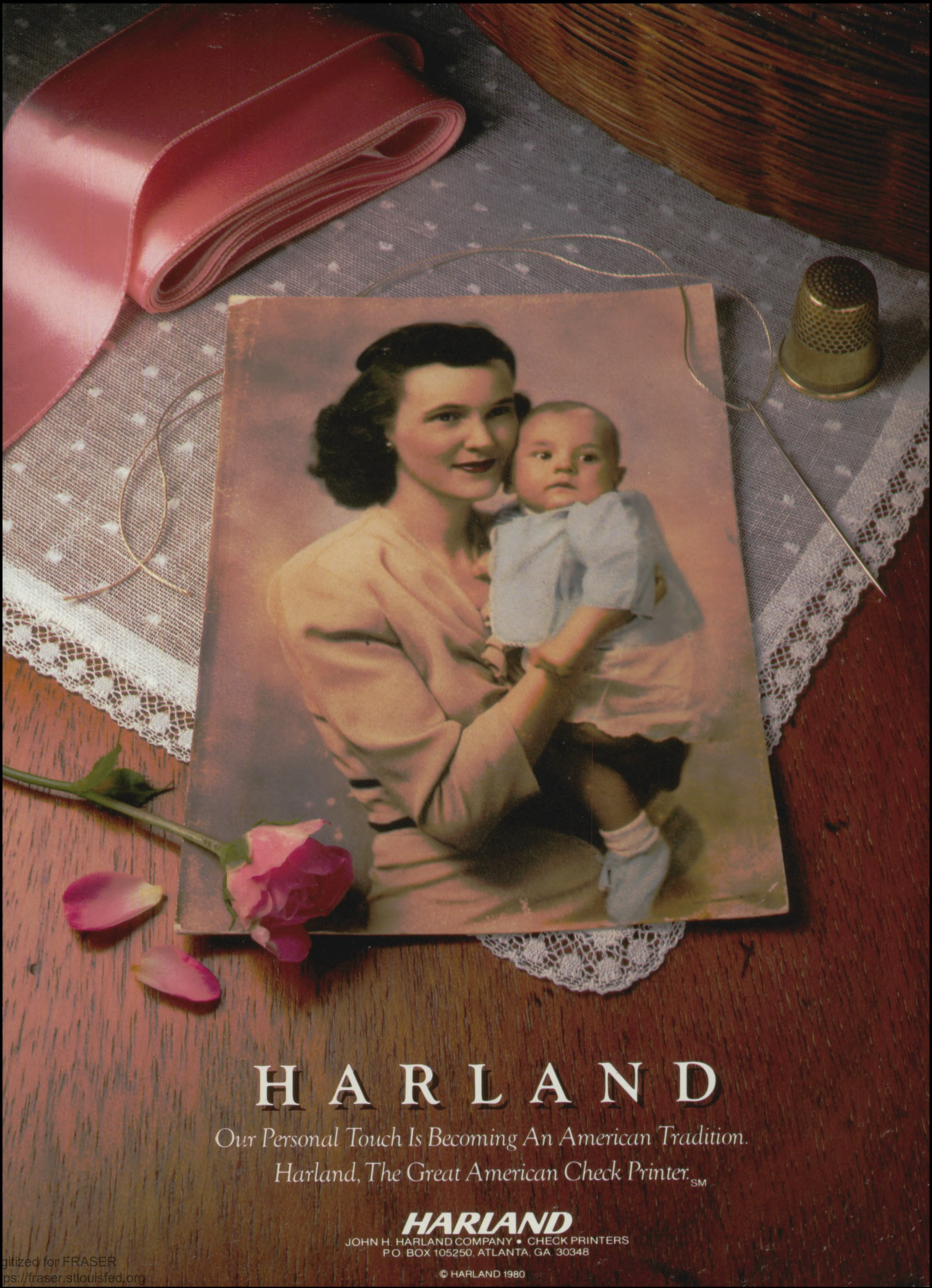
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Left to Right: Abigail Woods, Assistant Cashier, Contract Services Group; John Fowler, Senior Vice President, Correspondent Division; Gary A. Thompson, Assistant Cashier, Data Processing Department; James Hopkins, Assistant Vice President, Data Processing Department.

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AND SUBSIDIARIES • FOR SIX MONTHS ENDED JUNE 30, 1980

FIRST COMMERCE CORPORATION
CONSOLIDATED BALANCE SHEET
(In Thousands)

	June 30, 1980	June 30, 1979
ASSETS		
Cash and due from banks	$ 171,059	$120,674
Due from banks—time	65,789	18,500
Investment securities:		
U.S. treasury securities	161,337	83,605
Obligations of U.S. agencies and corporations	59,470	47,285
Obligations of states and political subdivisions	56,112	49,006
Other bonds, notes, debentures and corporate stock	18,882	1,896
Total investment securities (market value $309,007,000 and $180,588,000, respectively)	295,801	181,792
Trading account securities		634
Other short-term investments	211,750	155,736
Loans	393,191	408,921
Allowance for loan losses	(8,108)	(6,930)
Unearned income	(10,004)	(6,179)
Total net loans	375,079	395,812
Direct lease financing, net of unearned income of $534,000 and $871,000, respectively	2,879	3,384
Bank premises and equipment	14,052	14,225
Due from customers on acceptances	651	1,570
Foreclosed real estate	668	3,649
Real estate subject to contracts of sale		10,073
Accrued interest on securities and loans	13,610	9,446
Other assets	5,593	3,586
Total assets	$1,156,931	$919,081
LIABILITIES		
Deposits in domestic banking offices:		
Demand deposits	$ 388,921	$319,980
Savings deposits	100,420	114,920
Other consumer time deposits	85,719	53,399
Time deposits of $100,000 and over	178,517	156,077
	753,577	644,376
Foreign branch time deposits over $100,000	35,097	17,271
Total deposits	788,674	661,647
Short-term borrowings	241,390	157,660
Bank acceptances outstanding	651	1,570
Accrued interest payable	9,806	6,491
Accounts payable and other accrued liabilities	31,635	6,908
Long-term debt	21,065	24,153
Total liabilities	1,093,221	858,429
STOCKHOLDERS' EQUITY		
Common stock, $5 par value Authorized—10,000,000 shares Issued—2,658,519 and 2,185,721 shares, respectively	13,293	10,929
Capital surplus	31,196	25,483
Retained earnings	20,917	25,936
	65,406	62,348
Less—71,518 shares of common stock in treasury, at cost	(1,696)	(1,696)
Total stockholders' equity	63,710	60,652
Total liabilities and stockholders' equity	$1,156,931	$919,081

FIRST COMMERCE CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(In Thousands)

	Six Months Ended June 30, 1980	Six Months Ended June 30, 1979
INTEREST INCOME		
Interest and fees on loans	$ 29,720	$ 24,465
Interest on obligations of states and political subdivisions	1,342	1,402
Interest and dividends on other investment securities	11,672	4,667
Interest on trading account securities	5	104
Interest on short-term investments and bank deposits	17,412	8,051
Total interest income	60,151	38,689
INTEREST EXPENSE		
Interest on savings deposits	2,647	2,884
Interest on other consumer time deposits	3,795	1,667
Interest on time deposits of $100,000 and over	10,262	7,770
Interest on foreign branch time deposits	2,549	759
Interest on short-term borrowings	15,455	6,319
Interest on long-term debt	919	976
Total interest expense	35,627	20,375
NET INTEREST INCOME	24,524	18,314
PROVISION FOR LOAN LOSSES	2,220	2,422
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	22,304	15,892
OTHER INCOME		
Service charges, exchange and other fees	2,968	2,664
Other operating revenue	871	766
Trading account securities gains and losses	65	85
Total other income	3,904	3,515
Total operating income	26,208	19,407
OPERATING EXPENSE		
Salary expense	6,337	5,453
Employee benefits	1,629	1,282
Total personnel expense	7,966	6,735
Net occupancy expense	1,417	1,398
Equipment expense	1,534	1,336
Other operating expense	4,190	3,845
Operating expense before cost of foreclosed property	15,107	13,314
Cost of foreclosed property	(28)	1,634
Total operating expense	15,079	14,948
INCOME BEFORE INCOME TAX EXPENSE AND SECURITIES TRANSACTIONS	11,129	4,459
INCOME TAX EXPENSE	3,509	1,324
INCOME BEFORE SECURITIES TRANSACTIONS	7,620	3,135
Total investment securities transactions	(10,866)	(16)
Income tax effect	4,998	7
Net securities losses	(5,868)	(9)
NET INCOME	$ 1,752	$ 3,126
EARNINGS PER SHARE		
Primary		
Income before securities transactions	$ 2.98	$ 1.24
Net income	$ 0.69	$ 1.23
Fully diluted		
Income before securities transactions	$ 2.36	$ 1.05
Net income	$ 0.63	$ 1.05
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	2,555	2,536

These financial statements are preliminary unaudited figures, and are subject to adjustments which may or may not be material.

EXECUTIVE MANAGEMENT OF FIRST NATIONAL BANK OF COMMERCE

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Chief Financial Officer

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Senior Vice President

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 76, No. 9 August, 1980

FEATURES

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CONVENTIONS

REGIONAL MEETINGS

STATE NEWS

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Convention Calendar

Aug. 31-Sept. 3: Independent Bankers Association of America Seminar/Workshop on Bank Ownership, Chicago, Drake Hotel.

Aug. 30-Sept. 2: Assemblies for Bank Directors 42nd Assembly, Colorado Springs, Colo., the Broadmoor.

Sept. 7-9: Kentucky Bankers Association Annual Convention, Louisville, Galt House.

Sept. 7-10: ABA Southern Regional Operations/Automation Workshop, New Orleans, Hyatt Regency.

Sept. 8-9: Association for Modern Banking in Illinois Annual Convention, Chicago, Continental Plaza.

Sept. 14-17: ABA Bank Card Annual Conference, New York City, New York Hilton.

Sept. 14-17: Bank Marketing Association Annual Convention, San Francisco, San Francisco Hilton.

Sept. 14-26: ABA National Installment Credit School, Norman, Okla., University of Oklahoma.

Sept. 21-22: ABA IRA Workshop/Trust Division, Chicago, Hyatt Regency O'Hare.

Sept. 20-21: ABA Bank Personnel Division Productivity Workshop, Seattle, Olympic Hotel.

Sept. 21-24: ABA National Personnel Conference, Seattle, Olympic Hotel.

Sept. 21-24: Bank Administration Institute National Convention, Detroit, Detroit Plaza.

Sept. 24-26: ABA Introductory Bank Planning Workshop, Dallas, Fairmont Hotel.

Oct. 1-3: ABA Executive Marketing Management Workshop/Trust Division, Chicago, Hyatt Regency O'Hare.

Oct. 1-3: Bank Administration Institute Check Truncation Conference, Miami, Omni International Hotel.

Oct. 5-8: National Association of Bank Women Annual Convention, Washington, D. C., Washington Hilton.

Oct. 5-9: Bank Administration Institute Conference on EDP Auditing, Houston, Stouffer's Greenway Plaza Hotel.

Oct. 11-15: ABA Annual Convention, Chicago.

Oct. 19-23: Independent Bankers Association of America Bank Executive Development Seminar, Muncie, Ind., Ball State University.

Oct. 20-26: Consumer Bankers Association Annual Conference, Coronado, Calif., Hotel del Coronado.

Oct. 26-28: ABA Employee Benefit Trusts Workshop, Chicago, Hyatt Regency O'Hare.

Oct. 26-29: Bank Marketing Association Corporate Marketing Conference, Dallas, Fairmont Hotel.

Oct. 26-31: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.

Nov. 5-7: ABA Central Regional Workshop — 1980 Operations/Automation Division, Indianapolis, Hyatt Regency Indianapolis.

Nov. 9-12: ABA National Agricultural Bankers Conference, Dallas, Loew's Anatole.

Nov. 9-12: Robert Morris Associates Fall Conference, St. Louis, Stouffer's Riverfront Inn.

Nov. 9-13: Bank Marketing Association Trust Marketing Workshop, Houston, Galleria Plaza.

Nov. 9-20: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.

Nov. 13-16: 43d Assembly for Bank Directors, Pinehurst, N. C., the Pinehurst.

Nov. 12-14: Association of Bank Holding Companies Fall Meeting, Washington, D. C., Mayflower Hotel.

Nov. 15-18: ABA Underwriting/Compliance Clinic, Houston, Houstonia Inn.

Nov. 16-18: ABA National Correspondent Banking Conference, Atlanta, Hyatt Regency.

Nov. 16-19: Bank Administration Institute ATM Conference, New Orleans, New Orleans Hilton.

Nov. 16-19: Bank Marketing Association Officer Call Sales Workshop, Chicago, Chicago Marriott.

Nov. 18-22: Bank Marketing Association Essentials of Bank Marketing Course/Southwest Extension, Houston, University of Houston.

Nov. 30-Dec. 2: Bank Marketing Association Product Development/Product Management Conference, New Orleans, Fairmont Hotel.

Nov. 30-Dec. 3: Bank Administration Institute Money Transfer Conference, New York City.

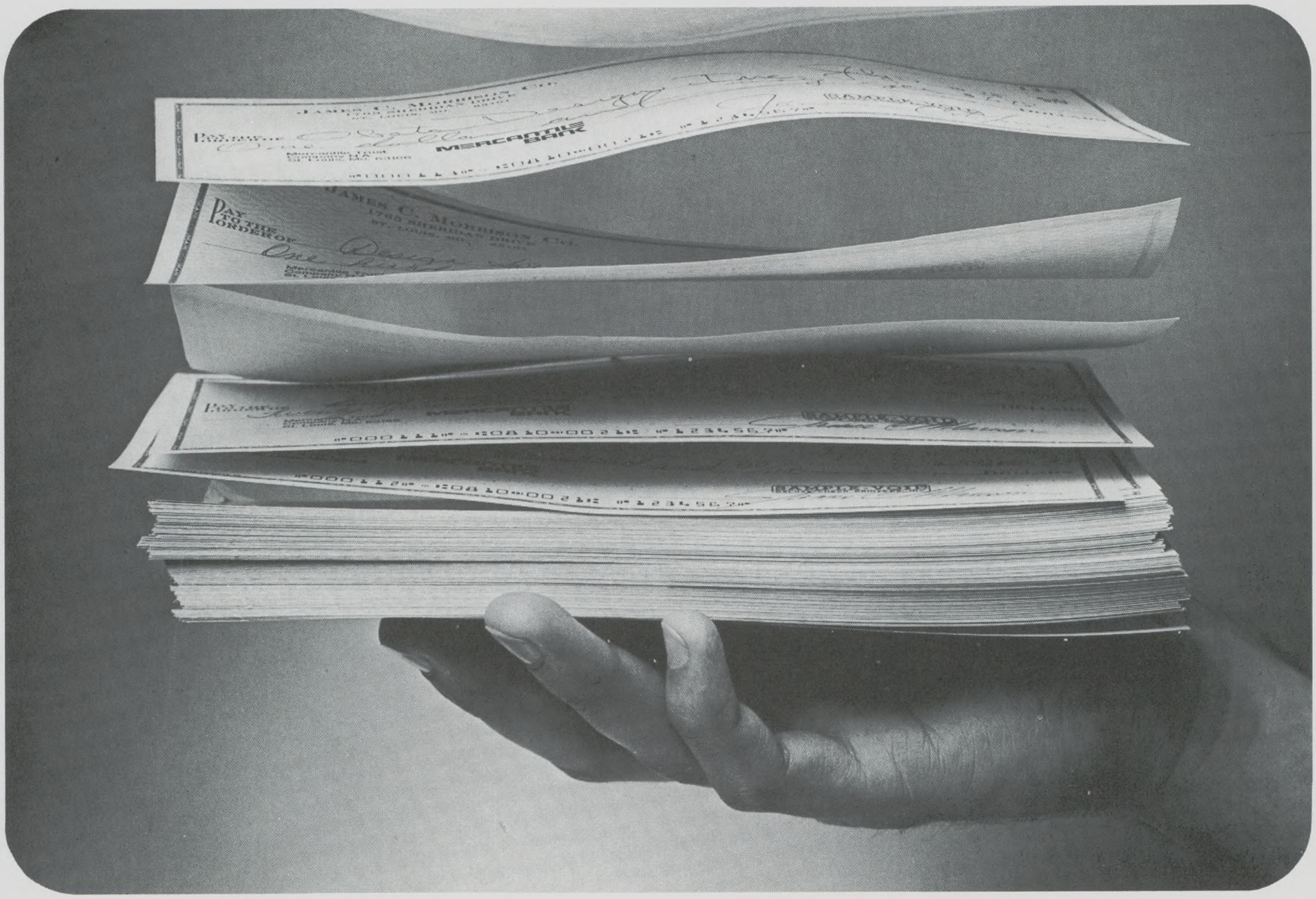
Dec. 4-7: Independent Bankers Association of America Seminar/Workshop on Bank Ownership, Point Clear, Ala., Grand Hotel.

Dec. 7-12: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.

Jan. 18-20: ABA International Banking Conference, New York City, Grand Hyatt.

Feb.5-8: 44th Assembly for Bank Directors, Hawaii, Kuilima.

Does your correspondent bank minimize float in check clearing?



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Float. Just as important, Mercantile experts can provide fast, accurate cash letter analysis. And they'll recommend ways to cut float to rock bottom. Another tool is the automated balance reporting system we make available to our customers.

Technology plays a big role, too. Our high-speed computers work 24 hours, processing 500,000 items every day. That's why, on the average, your checks will clear in less than 0.9 days.

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The Banking Scene

By Dr. LEWIS E. DAVIDS
Illinois Bankers Professor of Bank Management
Southern Illinois University, Carbondale

Banking and Criminal Behavior

WHITE-COLLAR crime affects banking in two major ways. One involves the customer who engages in practices in which the bank's resources or assets are diverted improperly. The other involves employees and staff who use the bank's resources for personal benefit. Whether or not actual crime has increased compared with figures for previous years, the fact is that increasing public disclosure and concern about the subject are evident.

A review of what has happened to premium rates covering blanket bond, fraud and the like would seem to indicate clearly that insurance underwriters believe bank exposure to white-collar crime is increasing. Some of my peers appear to have taken positions that are logical in their derivation but ineffective in reducing white-collar crime.

> **"One area of special concern involves the action by what are considered reputable consulting firms that have developed techniques for their clients that have resulted in a form of kiting."**

They recommend the following: (1) By tightening up internal controls, the problem will be solved to a large extent. (2) Auditors, both internal and external, should be used to determine if a bank's staff is acting with a high degree of morality and within the law.

One of the complexities of this topic is that some bankers who consider themselves to be highly ethical and supporters of proper behavior become involved with breaking rules and regulations affecting their banking operations.

A number of problem areas exist involving white-collar crime against banks by customers. The area of computer fraud concerns all bankers. There is recognition that the average computer fraud involves amounts of much greater magnitude than other types of defalcations, such as "lapping" and diversion of dormant accounts.

One area of special concern involves the action by what are considered reputable consulting firms that have developed techniques for their clients that have resulted in a form of kiting. (They would be quick to use the term "cash management.")

Data on bank debits and deposit turnover, published under A12 in the monthly Federal Reserve Bulletin, show that, for all commercial banks, debit and deposit turnover for 1976 was 116.8. In 1977 it jumped to 129.2; in 1978 it stood at 139.4. The most recent data indicate that the figure has increased to 189 times for all commercial banks in the U. S.

Stated another way, the velocity of bank debits is such that the typical demand deposit — representing accounts of individuals, partnerships, corporations, states and political subdivisions — turns over 189 times during a 365-day year. When one adjusts for holidays and weekends, this means that for all commercial banks, demand deposits on the average are turning over about once every day. However, if we look to major New York City banks for the same period, the demand-deposit debit-and-deposit turnover increases from 411.6 in 1976 to 503 in 1977 to 541 in 1978 and to a mind-boggling 763.4 times annual rate in January, 1980.

As I interpret these figures, the average bank debit stays in those major New York City banks approximately one-third of a day! However, the danger of using averages is that some figures are higher and some are lower than average. It's conceivable to conclude from these figures that some demand deposits at some major New York banks turn over almost every hour. Such velocity indicates that the banking system is the victim of criminal activities.

Looked at from a somewhat different perspective, some of that turnover undoubtedly is the result of individual firms and companies playing with float and taking advantage of the difference between such things as the Federal Reserve deferred-availability schedule and the actual time frame needed to clear certain items. The question emerges as to multiple moralities; this is, of firms teaching the type of cash management cited above and the firms that, in effect, are using float rather than maintaining collected cash balances in their banks.

> **"Many of our concepts of ethics have been strengthened in recent years. However, in some areas, such as the concept of family life-style, they have been progressively weakened."**

Certainly, many of the kiting firms believe what they are doing constitutes a relatively legitimate activity. If they can do it and no one stops them, they reason, who appears to be hurt by the action? Of course, directly and indirectly, banking and financial institutions in general are hurt by kiting operations, especially if they tend to escalate. At some point, when the firms are found out, a traumatic recognition of the problem and the losses involved results.

Another aspect of the topic involves the proliferation of banking regulations. I know of several bankers who have taken early retirement because, in their opinion, banking regulations

(Continued on page 80)

THIS BANK OPENED IN 1913. WE OPENED IT UP IN 1980.

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What Congress Does in Election Year

WITH both national political parties poised for the election campaigns, Congress is due to return to Washington immediately after Labor Day. Ahead of it will be five to six legislative weeks before it adjourns for the November elections.

As is the case with every Congress, the 96th Congress faces its final work period with what would appear to be a substantial backlog of legislation. Aside from budgetary actions, however, it is expected that only a relatively small number of bills will be enacted into law during the final days of the 96th Congress.

The dominant reality is that all legislative matters brought forward for debate between now and the end of this Congress will be discussed and resolved in a highly political atmosphere regardless of the specific genesis of the bills. Thus, for several weeks prior to this writing, sponsors of what is seen as essential legislation understandably have been maneuvering to assure that their bills will enjoy bipartisan support, rather than being the pet projects of either party. Of course, this is particularly the case when legislation is brought forward by members of the minority party.

Adding to the predictable political pressures of this season is the inevitable bottleneck Congress faces every two years.

The question always is: What specific legislative proposals can be combined to produce a package that can be enacted? This question comes to the fore simply because it frequently takes as much effort and legislative time to enact a single, simple bill as it takes in some cases to enact a relatively complex legislative package.

The tendency to assemble legislative packages during the last days of a congress frequently is balanced by the desire to undertake no new and potentially controversial business as an election approaches. With these tendencies and pressures at work, it always is problematic whether any additional major legislation will be enacted during the calendar year.

Editor's Note: This column was prepared by the ABA's public relations division.

For bankers, however, several major legislative matters remain on the agenda, and it is fair to say they all have the potential of seeing action before the legislative year is over. One of the more important questions for bankers is how Congress will attempt to present the electorate with a "balanced" budget. Budgetary decisions taken in early summer left a revenue shortfall of quite a few billions of dollars, and congressional leadership was known to have a list of possible revenue-raising options. Owing to strong Administration support, one of the options for revenue-raising was a proposal to require tax withholding on the payment of savings interest and dividends.

> **The dominant reality is that all legislative matters . . . will be discussed and resolved in a highly political atmosphere regardless of the specific genesis of the bills.**

Such tax withholding has been opposed by the ABA for years, and (notwithstanding the fact that a majority of the Senate and numerous members of the House of Representatives have gone on record as opposing this tax proposal) the possibility remains that such legislation could be combined with other proposals and enacted on the eve of adjournment as a last-ditch method of balancing the budget.

A long list of other banking issues remains pending as of this writing, and all these issues are subject to election-year pressures that can alter their status and potential for momentum almost overnight.

For example, legislation to expand the powers and permissible activities of the Cooperative Farm Credit System (CFCS) remains very much alive. Over and above the fact that this legislation is strongly supported by the quasi-governmental Farm Credit System, the bills have the advantage politically of purporting to help farmers and the agricultural sector of the economy in general. However, the bottom line of this legislation is that it would move the Farm Credit System increasingly out of agriculture and into competition for banks' best commercial (and nonfarm) customers. For over a year, the ABA has been urging that this legislation be amended so that the final product would allow the CFCS to modernize itself, while limiting opportunities for it to abandon its commitment to agriculture.

One reason this legislation continued to move forward was that supporters of expansion of the CFCS were offering smaller banks the opportunity to discount some of their loans through one of the system's arms, the Federal Intermediate Credit banks. This blandishment was accepted by some bankers, although the ABA's agriculture bankers committee reaffirmed its commitment to the necessity to amend the Farm Credit System legislation in such a way as to make it equitable. Many observers believe that enhanced bank access to the discounting facilities of the Federal Intermediate Credit banks would have been part of such legislation in any case.

On another front, as of early July, the Senate Banking Committee was taking up House-passed legislation to impose severe limits on activities and growth of bank holding companies. In particular, the legislation would limit insurance activities of bank HCs and banks to those strictly credit-related. Members of the insurance industry had been calling for such legislation for years, but many Washington observers believed that the legislation in fact did not gain momentum until its sponsors offered to exempt smaller commercial banks from the anti-competitive strictures of the bill.

In the case of both the Farm Credit System legislation and the bank HC bill, it is fair to conclude that the measures would not have advanced as they have done had there been an attempt to divide, and thus reduce, the influence of the banking community. Nevertheless, every effort was being made by the ABA to assure that the Farm Credit System legislation would be amended to make it equitable and that the proposed limits on bank HCs and banks would not be enacted.

Starting in September, however, these and all other remaining federal

banking legislative issues will have to be viewed in the fiercely partisan political context that will pervade Washington. It is impossible to imagine, much less to describe, the number of permutations that any such legislative proposals could go through in such an atmosphere.

In the expectation that use of political carrots and sticks will be in full force as Congress reconvenes in September, the ABA has called a session of its Banking Leadership Conference for early September to provide the association with guidance on the legislative and regulatory issues that will remain pending at that time. Besides the issues described above, the Banking Leadership Conference may have on its agenda a discussion of the first reaction to a federal study of branching and interstate expansion of depository institutions; the study was mandated by a provision of the International Banking Act of 1978. Also, the conference will have an opportunity to review and set new strategies regarding actions of the federal regulatory agencies as they prepare to move toward implementation of the Depository Institutions Deregulation and Monetary Control Act. At the focus point of the discussion, undoubtedly, will be the first step taken this summer by the Depository Institutions Deregulation Committee to begin phasing out deposit-interest ceilings.

The ABA's Banking Leadership Conference comprises the ABA council and government relations council, staffs and elected leadership of the state bankers associations and leaders of other national banking trade associations. ● ●

Former ABA Head Dies

HARTSVILLE, S. C. — A. Lee M. Wiggins, 89, died July 7. He headed the ABA in 1943-44.

Mr. Wiggins was associated with Bank of Hartsville from 1921 until 1971, serving as v.p., pres. and finally ch. He organized Trust Co. of South Carolina in 1919 and served as its pres. from 1941-69.

During his multifaceted career, Mr. Wiggins was under secretary of the Treasury in 1947-49, owned the Hartsville *Messenger* and was an officer of several railroads.

Market Day in St. Joseph Scheduled for Sept. 3

ST. JOSEPH, MO. — The 24th annual Market Day, cosponsored by First Stock Yards and First National, will be held September 3.

Registration will begin in the lobby of First Stock Yards at 8:30 a.m. and the morning program will include a tour of Philips Roxane, Inc., a livestock pharmaceutical firm. A luncheon at the Hoof and Horn Steak House will include a report on the current day's market.

The afternoon session will begin at 2 at the St. Joseph Country Club and will feature Damian J. Hogan, vice president (retired), Metropolitan Life Insurance Co. His topic will be "Is Sufficient Caution Being Exercised Today in the Field of Long-Term Farm and Ranch Mortgage Credit?" A panel discussion of present and future trends in livestock and grain marketing is scheduled to follow Mr. Hogan's talk.

DIDC Turns Down Proposals For Competitive MMCs

The Depository Institutions Deregulation Committee (DIDC) has turned down a proposal by members of the House Banking Committee to establish a new savings instrument to help depository institutions compete with money market mutual funds.

The instrument would have had a minimum deposit of $10,000 and would have had no fixed term. Depositors could make up to four withdrawals monthly, but the amounts withdrawn would have to be $300 or more but couldn't be in excess of 12% of the funds on deposit. The instrument would have contained provision for incentives to encourage depositors to comply with minimum withdrawals.

A second proposal would have altered existing money market certificate features to permit withdrawals, to limit withdrawal amounts and impose monthly ceilings on withdrawals. The DIDC stated that the proposal had merit, but should not be enacted at this time.

Report of Condition Rules Standardized by Regulators

The Federal Financial Institutions Examination Council has approved the standardization of the instructions issued to commercial banks for use in preparing quarterly reports of condition and income required of all federally insured commercial banks.

Regulatory agencies previously had issued separate instructions.

The standardized instructions will be issued in separate pamphlets covering the condition and income reporting requirements of banks with foreign offices, the reporting requirements of banks with more than $100 million in assets and with domestic offices only, the abbreviated reporting forms that banks with less than $100 million assets may use if they wish and the supplementary reporting schedules required of all banks with more than $300 million in assets.

Instructions for banks with foreign offices will be effective for September, 1980, reports. Those for banks with assets of more than $100 million with domestic offices only and for the supplementary reporting schedules will be effective for the December, 1980, reports.

Credit Restraints Over

The Fed last month announced plans to complete the phase-out of the special measures of credit restraint issued last March 14.

The following measures were announced:

- Eliminated the remaining 5% marginal reserve requirement on managed liabilities of large banks and agencies and branches of foreign banks. This action applied to managed liabilities beginning July 10, for reserves required beginning July 24. In addition, the Fed eliminated, effective the same date, the 2% supplementary reserve requirement applicable to member banks on large time deposits, instituted in November, 1978.
- Eliminated the remaining 7½% special deposit requirement that applied to increases in covered consumer credit, effective for covered credit extended in June and thereafter. No further special deposits were required after the deposit maintenance period ended on July 23.
- Eliminated the remaining 7½% special deposit requirement that applied to increases in covered assets of money market mutual funds and other similar institutions. The action applied to covered assets beginning July 28 and no special deposits will be required after August 11.
- Phased out the special credit restraint program limiting domestic loan growth to a range of 6% to 9% in 1980. Banks with $300 million or more in deposits are expected to complete reports due under this program July 10 for data as of June 30.

Consumer Affairs Program Statement Issued by FDIC

The FDIC has adopted a formal consumer affairs program statement describing its consumer and civil rights activities.

The program statement describes the structure and operations of the FDIC's Office of Consumer and Compliance Programs and outlines the agency's procedures for handling complaints, supervising bank compliance, promoting consumer education and fostering consumer involvement in the development of FDIC policies.

Highlights of the program include:

- An outreach effort to improve communication with minority consumers. One facet of this project is the publication of FDIC consumer literature in both English and Spanish.
- A toll-free consumer information hotline (800/424-5488) to answer general banking inquiries and handle complaints involving banks supervised by the FDIC.
- Seminars to help banks improve their compliance with consumer protection and civil rights statutes and regulations.

The statement was published in coordination with similar reports issued by 34 other departments and agencies of the federal government.

TIL Restitution Policy Guide Adopted by Regulatory Agencies

Federal regulatory agencies have adopted a policy guide concerning reimbursement to borrowers of banks under their jurisdiction when the cost of borrowing was inaccurately disclosed. The policy is required to implement the restitution provisions of the Truth-in-Lending Simplification and Reform Act that became law last March 1.

In general, restitution is required under the act when the understatement of the cost of borrowing is part of a clear and consistent pattern or practice of violations, or results from gross negligence or from willful violation intended to mislead the person to whom the credit was extended.

The restitution requirements of the act apply to all types of credit subject to Truth-in-Lending disclosures. However, there are certain special rules that apply to mortgage transactions involving irregular payments.

Where the amount of an adjustment would be less than $1, no restitution to the consumer is required, but in such cases outstanding for more than a year after the violation, payments to the U. S. Treasury may be ordered.

A uniform inter-agency plan will be developed within the Federal Financial Institutions Examination Council for implementing the restitution provisions. Institutions identified as having reimbursable violations under Regulation Z enforcement guidelines that were developed by the agencies last year will be examined by the agencies within a year to determine if restitution is necessary under the new policy.

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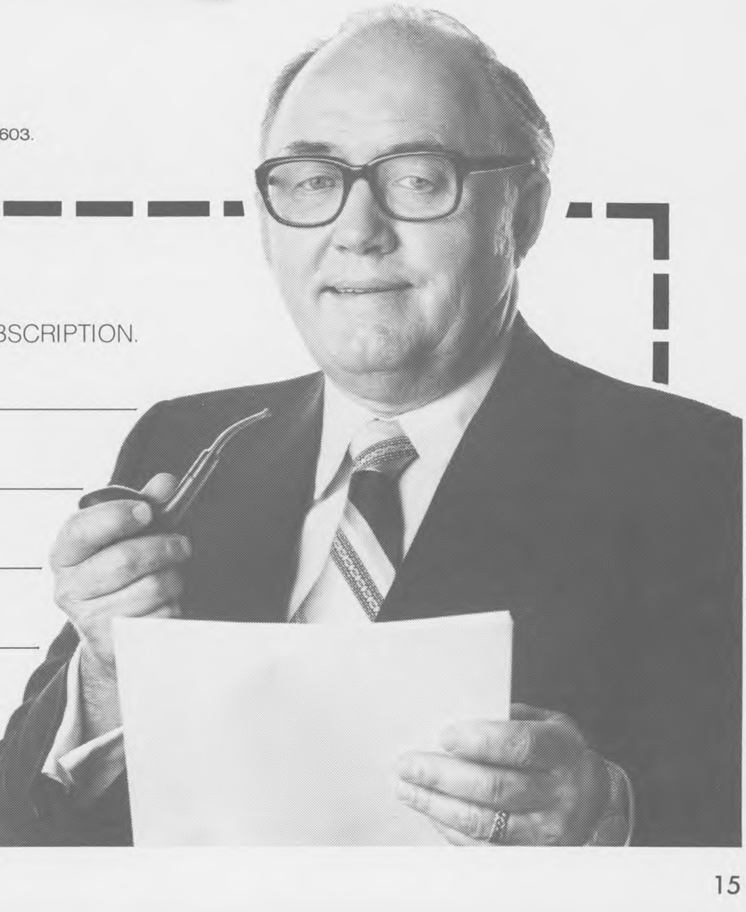


NEWS OF THE BANKING WORLD

SULLIVAN DIERKS MURRAY BERGMANN

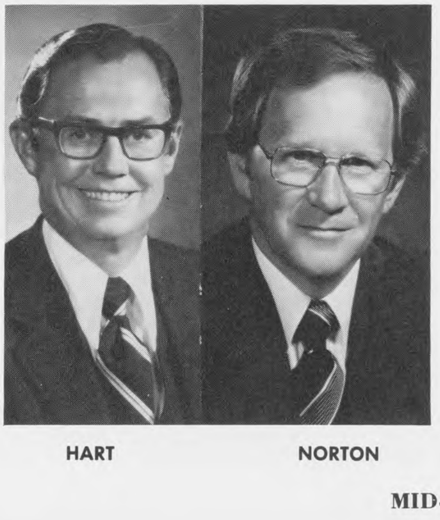
• **Barry F. Sullivan** joined Chicago's First National and its parent HC, First Chicago Corp., July 28 as chairman/CEO. He succeeds A. Robert Abboud. Mr. Sullivan formerly was executive vice president and a member of the management committee of New York City's Chase Manhattan Bank, which he joined 23 years ago. During that time, he had managed nearly every department there. Since 1978, Mr. Sullivan had been responsible for corporate, international and merchant banking, trade finance and information services.

• **David A. Dierks,** vice president, First National, St. Louis, has been appointed manager of the bank's Europe/Mid-East/Africa group headquartered at the London Branch. He replaces Richard A. Murray, who has been named deputy international division manager, a new post in First National's international department. Mr. Dierks is going to London; Mr. Murray is returning to St. Louis after having been in London since 1976, when the bank opened a representative office there. The office became a branch in 1979. Mr. Dierks joined the bank in 1969.

• **Robert L. Bergmann,** senior vice president, Mercantile Trust, St. Louis, has been elected chairman of the Payment & Administrative Communications Corp. (PAAC) and its subsidiary, Payment & Telecommunications Services Corp. (PATS). These are New York City-based organizations that administer Bank Wire, a banking industry-owned electronic funds transfer system. He also was reelected to a two-year term on the boards of both groups.

• **N. Berne Hart,** president/chairman, United Banks of Colorado, Inc., Denver, became chairman of the Bank Administration Institute July 1. He succeeds Carl W. Klemme, executive vice president, Morgan Guaranty Trust, New York City, who continues on the BAI's executive committee in an advisory capacity as immediate past chairman. George D. Norton, executive vice president/cashier, Philadelphia, is the BAI's new chairman-elect, succeeding Mr. Hart. Mr. Norton's election places him in line to become chairman next year.

• **Robert H. Duckworth,** executive vice president, First National of Arizona, Phoenix, was elected president, Robert Morris Associates (RMA), at the group's annual election August 7. Other new officers are: first vice president, John D. Mangels, president, Rainier National, Seattle, and second vice president, Douglas W. Dodge, executive vice president, Mercantile-Safe Deposit & Trust, Baltimore. One of the four new directors is from the Mid-Continent area — W. E. Ayres, senior executive vice president, Simmons First National, Pine Bluff, Ark. The new officers and directors will begin their terms September 1.

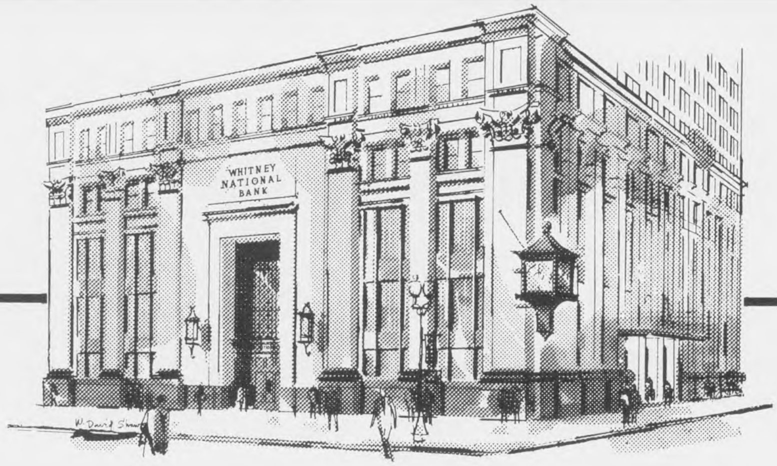


HART NORTON

AYRES DUCKWORTH

• **Manufacturers Hanover Corp.,** New York City, has opened a full-service commercial financing office in Los Angeles. It is the western commercial-financing headquarters for Manufacturers Hanover Commercial Corp., MHC's asset-based services subsidiary. In addition to the commercial-financing facility in Los Angeles, MHCC has a factoring office in the same location. Vice President Michael Levy heads the new office.

• **Charles A. Agemian** has been honored by the ABA through its Stonier Graduate School of Banking for his contributions to and achievements in international economic development and continual dedication to the banking community's operational and educational efforts. Mr. Agemian received the Ayres Leadership Award from Edward Jesser, former chairman of the school's board of regents and chairman, United Jersey Bank, Hackensack, N. J. Mr. Agemian once was executive vice president, Chase Manhattan, New York City, and now is chairman/CEO, Garden State National, Paramus, N. J. He served on the Stonier faculty 25 years.



CONDENSED STATEMENT OF CONDITION

AS OF JUNE 30, 1980

RESOURCES

Cash and Due from Banks	$ 269,646,408.34
U. S. Treasury Securities	432,645,767.98
Obligations of States and Political Subdivisions	52,834,054.20
Stock in Federal Reserve Bank	1,500,000.00
Federal Funds Sold and Securities Purchased Under Agreements to Resell	111,500,000.00
Loans	888,291,668.53
Less: Valuation Portion of the Reserve For Possible Loan Losses	7,482,097.12
	880,809,571.41
Bank Premises and Equipment	11,530,877.33
Other Real Estate	2,179,992.10
Customers' Acceptance Liability	1,167,578.42
Accrued Income Receivable	20,611,335.21
Other Assets	9,266,515.70
TOTAL	$ 1,793,692,100.69

LIABILITIES

Deposits	$ 1,375,779,123.54
Federal Funds Purchased, Securities Sold Under Agreements to Repurchase and Note Option Account	235,049,182.58
Acceptances Outstanding	1,167,619.26
Dividend Payable July 1, 1980	2,673,965.00
Special Dividends Payable	2,158,296.94
Accrued Taxes, Interest and Expenses	24,670,365.94
Deferred Income Tax Portion of the Reserve For Possible Loan Losses	1,692,027.20
TOTAL LIABILITIES	$ 1,643,190,580.46

CAPITAL ACCOUNTS

Capital Stock	$ 2,800,000.00
Surplus	47,200,000.00
Undivided Profits	97,805,482.81
Capital Portion of Loan Loss and Securities Reserves	2,696,037.42
TOTAL CAPITAL ACCOUNTS	$ 150,501,520.23
TOTAL	$ 1,793,692,100.69

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Most Farmers Are Hanging In Despite Adverse Conditions, Bankers Report in Survey

"IN RECENT years, the cost of credit has more than doubled, the cost of fuel has tripled, the cost of fertilizer has tripled. But right now hogs are selling at $32 a hundred — the same price they sold for 20 years ago!"

This statement by a banker in Kansas City just about sums up the plight of the American farmer in 1980 — and it bodes anything but well for the future.

More than 500 ag bankers in the 13 states served by MID-CONTINENT BANKER were polled last month about the farm situations in their areas. A healthy response in excess of 20% indicates that ag bankers are eager to pass on their assessments of the ag situation.

The survey tabulation shows that the vast majority of farmers throughout the Mid-Continent area received the production credit they needed for 1980; that the majority of farm customers did not tap any new sources of credit this year; that farm income is expected to be down this year; that the attitude of the typical farmer is pessimistic; that farm suppliers are tightening their credit terms; that most farm suppliers are experiencing "good" financial conditions; that little farmland is being sold to foreigners — or to anybody else; that farmland prices are falling; that the majority of farmers are in business for keeps and plan to vote in a new President this November.

One banker reported that farmers used to have a saying that they "could take a load of hogs to town and buy a new motor car with them." Now it takes about five loads of hogs to buy the same auto!

(Continued on next page)

The Cattle Feeder Situation

Livestock farmers are lamenting the fact that costs have soared and prices have stayed the same or have increased only slightly, says a Missouri banker.

Farm prices, he said, are pretty well geared to what the consumer will pay in the supermarket and this is translated back to livestock prices, for example, through the prices the packer will pay and what he thinks the retailer can reasonably charge and still make a profit.

Fat cattle currently selling at around $68 a hundredweight probably would be closer to $100 a hundredweight, the banker said, if those prices had followed the inflationary trend of other prices — those for fuel, fertilizer and tractors.

"The American consumer today is getting the best bargain in the world for the price of his food despite rising food costs at the supermarket," the banker said. "The average American is spending a smaller percentage of his paycheck every year for food. No other consumer in any part of the world has this same bargain."

Another banker in Missouri, when questioned how cattlemen were doing this year, pulled out a computer printout and read off a set of statistics provided by one of his cattle feeder customers.

In the month of May, he said, the feeder sold 900 head of cattle at an average loss of $95 per head! In April he made a little money but he sold 900 head of cattle in that month and the loss for the two months averaged $86 per head. Current livestock prices assure that cattle feeders can't make a profit, he said.

The banker provided additional facts to illustrate the squeeze cattlemen are in. The livestock that the cattle feeder sold in April and May cost him 80¢ per pound for an average weight of 730 pound feeders. It cost the feeder about 50¢ per pound to put weight on the cattle that sold at an average weight of about 1,050 to 1,100 pounds. So, each animal cost the feeder $584 and it cost him $185 to bring each animal up to selling weight, making a total of $769. Each animal sold for only $748, a net loss of $21 per animal.

"The tough cattle feeders who have been in business for many years will stick it out and hope for rising prices," the banker said. It's expected that they will pay less in the future for their feeder cattle and hopefully pay less for their feed. "If they don't" he added, "we city folks are in for some even higher prices for our beefsteaks!"

Ag Banker Survey *(Continued)*

The general consensus was that dairy and grain farmers are doing well in comparison to livestock farmers. A number of ag bankers reported that farm income was steady, that farmers were optimistic and that land prices were rising in their areas — but these were in the minority.

Almost half the responding bankers reported that some of their farm customers were tapping new sources of credit from such places as the Small Business Administration, Production Credit associations, the Federal Land Bank and the Farmers Home Administration. Some of the assistance given was in the form of disaster loans.

A handful of bankers reported that farm income was expected to rise in their territory and about 20% predicted that farm income would remain steady; but about 75% indicated farm income would drop in 1980.

More than 60% of responding bankers said the attitude of their farm customers was pessimistic, but many qualified that fact by stating that farmers generally are pessimistic no matter how good times are. About 15% reported that farmers are optimistic, while 7% are bitter, 7% are resentful and another 7% are prone to blame the grain embargo levied by President Carter for their problems.

Most farm suppliers are limiting credit terms to 30 days or less, but 30% of the bankers stated that terms hadn't changed from the usual. More than 15% said suppliers are pressing for COD terms and almost 10% said interest rates on unpaid balances have risen.

The financial condition of farm suppliers is "good," according to 35% of the respondents. About 15% reported the situation to be "fair" and another 15% said suppliers were in "shaky" condition. More than 20% reported that equipment sales are down this year and a handful said the equipment dealers in their areas had gone out of business.

Almost 50% of the bankers said there have been no significant sales of farmland this year in their areas to foreigners and very little sales to local people. More than 20% reported land prices remaining steady, while 5% said land prices were up and 22% said land prices had fallen this year.

Almost 60% of ag bankers said their farm customers are in business to stay, as long as they can stay solvent. Less than 10% report cutbacks on the part of farmers and fewer than that are giving up. Almost 30% report that farmers are fighting for higher prices.

The most illuminating responses came in the section of the survey asking for political assessments of farm customers. It's difficult to determine whether the remarks given by bankers reflect the opinions of farm customers or bankers, but both probably agree on the fact that the Carter Administration is in deep trouble in the farm belt.

"Most (farmers) feel that the present Administration is ineffective and that a responsible Congress is essential but it's unlikely to 'happen,' " says Donn Harrison, executive vice president, Citizens Bank, Eldon, Mo. Farmers are "disgusted with welfare, fuel prices, defense spending, lack of an ability to control inflation, government waste and paper work," he adds.

"The present Administration isn't regarded as favorable to farmers," reports S. W. Grotenhuis, president, Casey (Ill.) National. "Lifelong, died-in-the-wool Democrats insist they plan to vote for Reagan," he says.

"Farmers feel they have been made the butt of many political decisions and express their desire for some change in the attitude of political leaders," says Henry F. Warden, cashier, Bank of Bernice, La.

"Farmers are aware of over-regulation and too much government in everything. They're disappointed with Carter but most will continue to support him," says I. J. Grizzell, president, First National of Franklin County, Decherd, Tenn.

"Most farmers will not vote for Carter. They figure he has had his chance," reports Earl McVicker, vice president and ag representative, First National, Dodge City, Kan. "However, they are less than excited about Reagan. They feel his farm knowledge is lacking."

"Carter is out," says Francis W. Esely, president, Farmers State, Canton, Kan. "And he could take some of the Democrats in Congress with him if things don't improve considerably."

Charles D. Rushing, president, State Bank, Bernie, Mo., reports that "Most farmers are looking for new faces due to discontent with the present Administration. They're not sure a change will mean better times, but they're willing to give it a try." ● ●

Farmers Cut Costs

An eastern Kansas banker has predicted a 30% decrease in national farm income this year, due to cattle, hogs and grain selling at lower prices than last year.

Farm balance sheets, he said, will "shrink" at year-end.

Farmers are cutting costs in order to survive, the banker said. They are testing their soil and, on the basis of the tests, are cutting the amount of fertilizer they use. They also are eliminating one or two tillage operations to save energy. They are sharing farm equipment and fixing up anything to keep from buying new equipment. This accounts for equipment sales being down about 50%.

Kansas is expected to have its second-largest wheat crop this year — about 395 million bushels, the banker said.

Cattle feeders have lost money during the last eight months due to higher transportation and processing costs and lower prices for cattle.

The banker said some farmers will go under this year — not because of size, but because of dead leverage.

Only two things could possibly aid farmers in the next few months, he said: an increase in prices for crops and cattle and better weather.

In general, farmers are frustrated with the Carter Administration and the actions of the U. S. Congress, the banker said.

He said that correspondent loans coming into his bank are of lower quality than they have been in the past. He suspects some of the loans are being moved from other banks due to their deteriorating quality.

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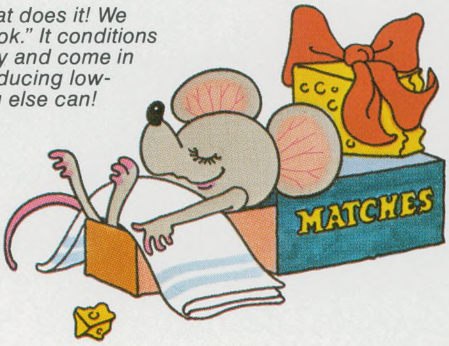

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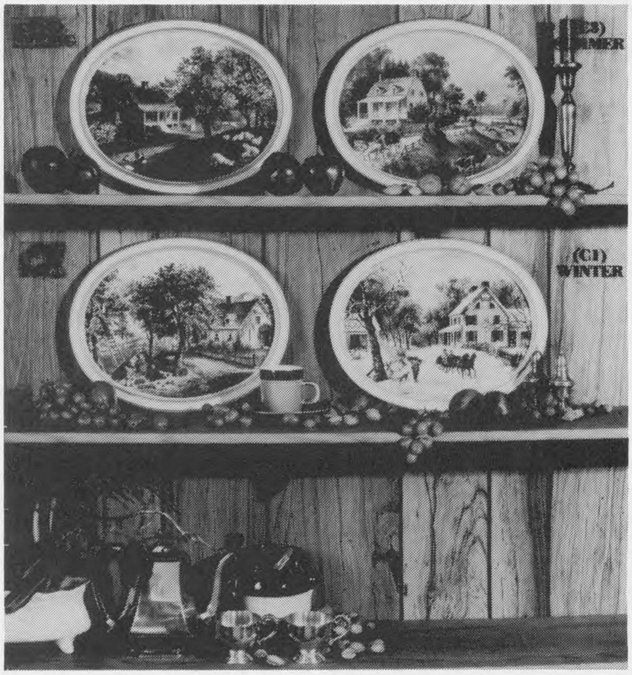

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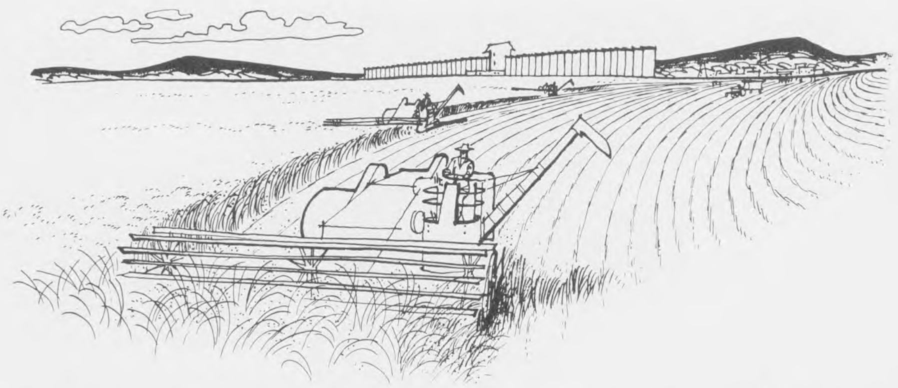

Understanding Futures Markets Is Key to Successful Hedging

By Robert K. Wilmouth
President/CEO
Chicago Board of Trade

THE VAST majority of people don't have the slightest idea of what futures markets are about or why they exist. A second group of people have some ideas but they are the wrong ones.

The number of futures contracts traded has been setting new records for 10 consecutive years. And there's every indication that this growth will continue through the 1980s. Trading volume in 1979 grew to nearly 34 million contracts changing hands. That's a six-fold increase over volume in 1969.

The paradox between misunderstanding of futures markets on the one hand and the dramatic record trading volume on the other hand isn't particularly paradoxical. What's happening is that more and more groups, including farmers, are taking the time and trouble to understand futures trading — or hedging — because it pays them to. It's to their economic advantage to do so. As understanding of the market increases, use of the market increases.

Hedging, or use of the futures market by farmers to establish a selling or buying price, is much like credit. Both are management tools. Both, to be used profitably, must be used properly. Both, if misused, involve risks. A farmer who uses the futures market is no more assured of making a profit than a farmer who borrows money is assured of making a profit.

Thus, if you have borrowers who are seeking your advice or who are seeking financing in connection with futures trading, the first question that has to be addressed is that of suitability. That's not a term normally used in connection with the use of the futures market for hedging, but it should be.

Some farmers simply don't possess the necessary skill and sophistication to hedge effectively, just as there are some who don't have the skill and sophistication to use borrowed money effectively. In addition, there are some who lack the discipline and the temperament required by futures trading. I suspect that criteria you use in judging a farmer's ability to use credit wisely aren't much different from criteria for those who should or shouldn't hedge. At the risk of repetition, it comes down to a question of suitability. It's admittedly a judgment call, but it's an important one. Hedging isn't for everyone.

It's safe to say that there are large numbers of agricultural producers who could and should be utilizing the futures market but aren't. Some because they don't understand it and are reluctant to participate in a market whose workings they don't have the skills and the know-how to use properly. I'd be the first to agree with them. There are a number of good ways to acquire a knowledge of hedging but learn-as-you-go isn't one of them. A farmer who doesn't understand hedging shouldn't hedge.

There clearly are perils in using the futures market if one doesn't understand it, uses it improperly or is unaware of — or unprepared to accept — risks.

It's not my mission and it certainly shouldn't be your mission to encourage any farmer — or anyone else for that matter — to use the futures market if he doesn't understand it. It's our objective to encourage and contribute to an understanding of futures. With the knowledge of how to use the market, a farmer can make an informed decision about when he should use the market — or whether he should use it at all.

Before a farmer attempts to become a hedger, he should understand what hedging is — a temporary purchase or sale in the futures market solely for the purpose of offsetting an existing price risk in the cash market. It's a means of protecting oneself against a decrease in the price of some commodity you intend to sell at a future date or against an increase in the price of some commodity you intend to buy at a future date. Any other use of the futures market isn't hedging; it's speculating.

Second, a farmer contemplating use of the futures market should know his costs. The point of hedging is to lock in (at least approximately) an acceptable profit or loss. And there's clearly no way of accomplishing that unless you have a good fix on costs. It's like trying to measure the distance between two points without knowing where the points are.

Third, anyone contemplating the use of the futures market for hedging must understand basis: the relationship between prices in the cash market and prices in the futures mar-

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Mr. Wilmouth's remarks are based on a talk given at the 1980 Agriculture Conference sponsored by First Tennessee Bank, Memphis.

ket.

Fourth, a farmer who's contemplating using futures should understand margin requirements. Margin isn't a down payment. It's required of both buyer and seller and it's simply "good faith" money. If a person has been a buyer in the futures market and the price goes down — or if he has been a seller and the price goes up — his broker is going to call on him to come up with additional margin money — money to keep his market position adequately margined at all times. This doesn't mean his hedge isn't working. Keep in mind that his position in the futures market was to offset a position in the cash market; so if he has a loss in the futures, he should have a roughly equal and offsetting profit in the cash market. Nonetheless, a farmer who is going to hedge should understand about margin calls and should have a source of funds — his own or borrowed — to meet them.

A farmer who realizes a profit on his futures position can draw on these funds. All a broker requires is that he maintain enough in his account to keep his position currently margined to the market.

There are two other things a farmer should know before he gets into hedging: He should know a good broker and he should know a good lender. A broker and a lender who, themselves, have an understanding of hedging — of how it works and of how they can help a farmer do it successfully. Because to hedge successfully, a farmer is going to need their help.

A lender certainly should have an understanding of margin requirements because chances are that — sooner or later — a farmer who hedges is going to call on a lender to lend him the money to meet margin calls. With a properly executed and maintained hedge, this shouldn't be a problem. If the price in the futures market moves against him, he will need additional margin funds; if the price moves in his favor, funds will accrue to his brokerage account to curtail any outstanding loans.

Like any other tool, knowing when to use the futures market is as important as knowing how to use it. There are no pat formulas. Even when futures can be used effectively to reduce risks, different farmers have different perceptions of risk and different financial abilities to assume risk. And they differ in their willingness to accept risks. So in any given situation one farmer might choose to hedge and another might not. One farmer might hedge simply because he can't afford the consequences of a price decline. Another might hedge because — regardless of what happens to price — the market is offering him what he considers an acceptable profit.

One of the things a farmer will discover as he gains a knowledge of futures and hedging is that he doesn't necessarily have to use the market in order to profit from it. To cite just one example, assume a farmer looks at his local cash price on a given day and he looks at the current futures price and sees that the difference — the basis — is abnormally large. He looks into it and concludes that it is probably a temporary aberration that is likely to be corrected. So he holds off selling and a few days or a few weeks later is able to sell at an appreciably better price.

He didn't actually buy or sell on the futures market, but his knowledge of it paid off in a higher price in the cash market.

Another farmer might have looked at the same situation and decided to take advantage of the abnormally wide basis by selling a futures contract in anticipation of buying it back when the basis narrowed. The futures market is a tool that different farmers can use in different ways, but the common denominator is an understanding of how it works.

Futures markets bring together large numbers of buyers and sellers in the environment of an open, continuing auction. How else could a corn, wheat or soybean grower in Nebraska know almost instantly what an importer in Brussels is bidding for his grain for delivery next week, month or even next year? The futures market provides the mechanism whereby prices in the local markets where farmers sell rapidly reflect changing conditions in the worldwide markets where buyers buy. It may not provide a perfect mechanism for price discovery but it is certainly the best and the fairest. • •

Bank Hosts Farm Expert

Concern on the part of State Bank of Freeport, Ill., for its farm customers prompted the bank to devote portion of its annual shareholders' meeting to the topic of farming. Featured speaker was Orion Samuelson (c.), nationally known for his syndicated TV show "U. S. Farm Report," which is seen on about 100 stations across the nation. Pictured with Mr. Samuelson are bank E.V.P. Richard A. Miller (l.) and bank Pres. V. W. Nortridge. Bank also featured article on farming in its annual report.

Action Report Identifies Challenges of Ag Finance

An assessment of the challenges that await agricultural lenders in the decade of the '80s is the subject for a new publication available from the ABA's agricultural bankers division.

"Agricultural Banking In the 1980s" is an in-depth report on the Agricultural Finance Planning and Research Conference held last December under the joint sponsorship of the ABA and the Farm Foundation.

The conference brought together a group of agricultural specialists — bankers and agricultural finance economists — to identify the issues in agricultural banking at the beginning of the decade to give a perspective for building effective research programs, information bases and future planning.

"If growth rates for farm debt and inflation experience in the 1970s continue through the 1980s, then total farm debt outstanding could approach $500 billion by 1990. These high growth rates for farm debt have placed much stress on agricultural finance markets for generating loan funds," observes Peter J. Barry, professor of agricultural finance at the University of Illinois, in the introduction to the new ABA publication.

The publication focuses on three major topic areas: capital and credit needs of agriculture; bank sources of funds and rural financial markets; and policy issues in agriculture and banking.

"The publication is intended to stimulate the agricultural lender to act, instead of reacting, by planning now for the future," Mr. Barry explains.

Much concern is expressed about the impacts of government policies and regulations on banks and their ability to serve rural areas and the farm sector. The impact of regulation on access to savers' funds, nonlocal funds, lending potential and market shares are all considered.

"A hallmark of U. S. farm credit in the past has been its responsiveness to change — the ability to innovate farm lending to accommodate changing conditions in agriculture," Mr. Barry explains. "'Agricultural Banking In the 1980s' tells what's in store for the exciting, high payoff field of agricultural finance."

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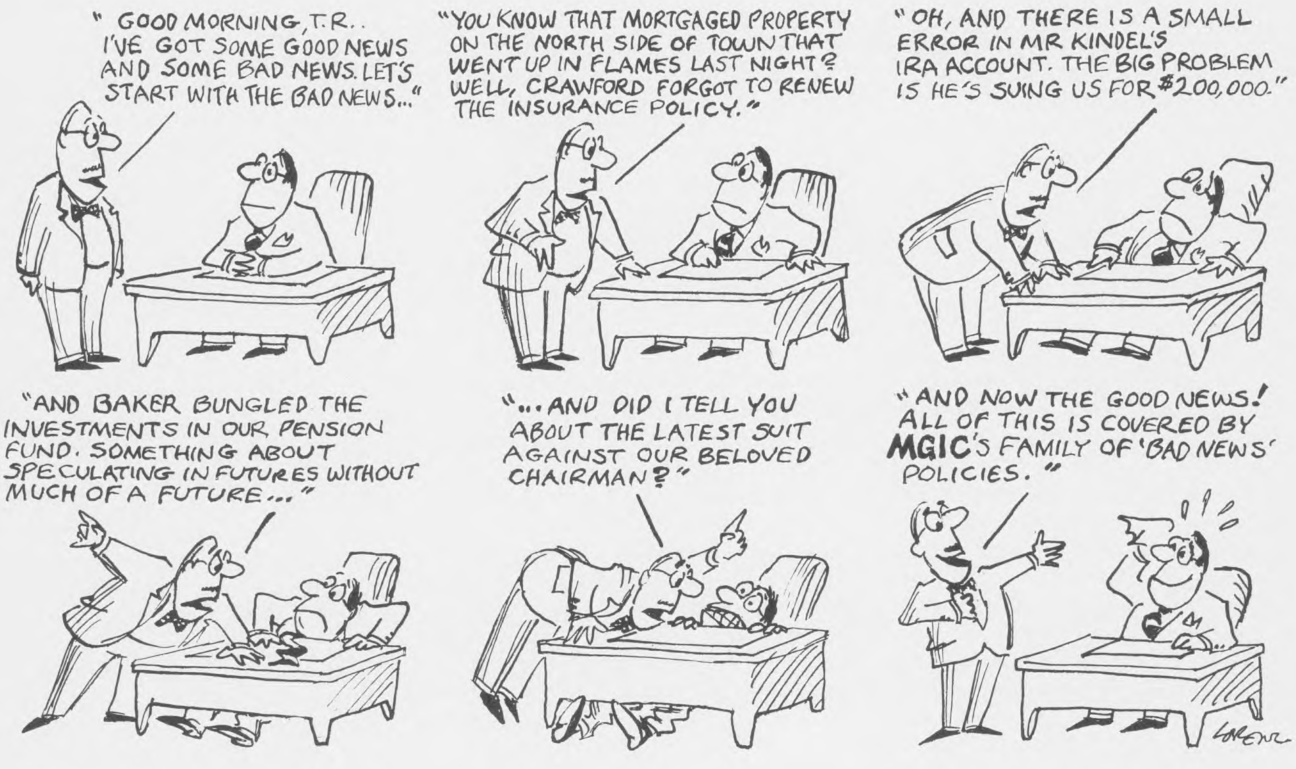

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Reports on What Banks Are Doing in Ag Area

Solar Collectors Provide Heat On Farm Managed by Bank

SOLAR collectors are helping the Dudley farms operation in Illinois reduce its consumption of liquefied-petroleum (LP) gas, according to Dennis Gibbs, a farm manager with Millikin National, Decatur, Ill., who oversees the farms' operations.

The two collectors were put into use in one of the buildings around last April 1, and the angle of the sun heated the structure for about 30 days. The collectors won't totally eliminate the need for LP gas, says Mr. Gibbs, but they will reduce its consumption substantially, especially in the fall and spring. Through their use, the heater won't have to be turned on as early as formerly in the fall and will be turned off earlier in the spring.

Total cost of the two collectors is $4,050, which represents about 8,100 gallons and four years' consumption of LP gas at 50¢ a gallon. Therefore, Mr. Gibbs points out, when the collectors have been in operation about four or five years, they will have paid for themselves. After that, heating by solar collectors in the building will be free. Of course, if LP gas goes up in cost, the price of the collectors will be recovered even sooner.

The solar heat on this farm six miles east of Assumption is used primarily to warm a hog house, farrowing house and nursery. The unit draws air from inside the building and reheats and recirculates it.

Because these solar units are portable, they also can be used to dry grain. This process usually takes place from October to December. On this Dudley farm, livestock houses will be able to benefit from the solar heat during the rest of the winter.

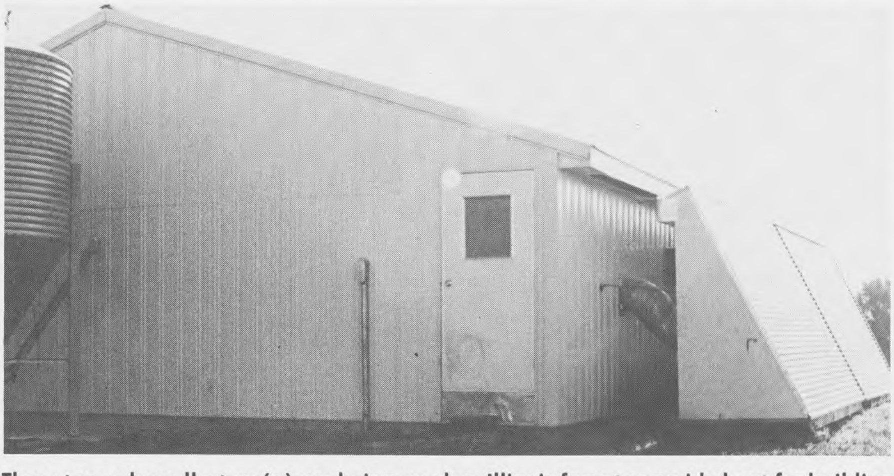
The panels were built by Wilbur Metzger, Pana, Ill., carpenter. He designed them from two sets of blueprints provided by the University of Illinois' College of Agriculture. One set was for supplemental heat to farms; another for grain-drying bins. Mr. Metzger combined the plans to make a panel that would serve both purposes.

Accomplishing something like this isn't easy, Mr. Gibbs admits.

"It takes a strong commitment on the part of the owners," he says, "and then we need a lot of cooperation from the tenant on the farm, as he's the one who has to learn how to work with it and how to get the most efficiency from it."

Mr. Gibbs is happy to report that this project seems to be working well, and everyone involved has positive feelings about its success. They plan to keep close records of costs and efficiencies and hope to improve the system as they learn more about it.

The Dudley farms' owners have begun to use solar energy on another farm in Indiana and plan to utilize it as much as possible on all their farms. Their initial success has sparked an interest by other farm managers in Millikin National's farm department, and Mr. Gibbs is working with them to develop solar units in several other central Illinois farms managed by the bank. ● ●



These two solar collectors (r.) are being used on Illinois farm to provide heat for building pictured. Because they are portable, they can be used to dry grain.

Slight Sales Slippage Predicted by Makers Of Farm Equipment

Despite the recent severe downturn in sales of certain farm machinery, manufacturers remain confident that dollar sales volume of all farm equipment will be off as little as 5% for 1980. This optimism was reflected in a survey taken of its members by the Farm & Industrial Equipment Institute and reported at its spring marketing and management conference.

In predicting the slight drop in sales, member companies cited the easing of credit restraints, lower interest costs and the less-than-expected decline in farm-commodity exports as positive factors. Detrimental factors cited included continued credit restrictions by rural bankers and lenders, high costs in general, energy in particular and low commodity prices.

While members saw some difficult days ahead, their long-range look at the rest of the 1980s indicates greater opportunities than at any time since the expansion period following the Korean War. They see great challenges to increase productivity and create new breakthroughs in technology to aid American agriculture in the continuing battle to adequately feed this nation and ease world hunger.

In the forecast for tractors, all tractor sales are expected to be 10.7% below last year's unit sales, a marked change from the bullish sales outlook in the

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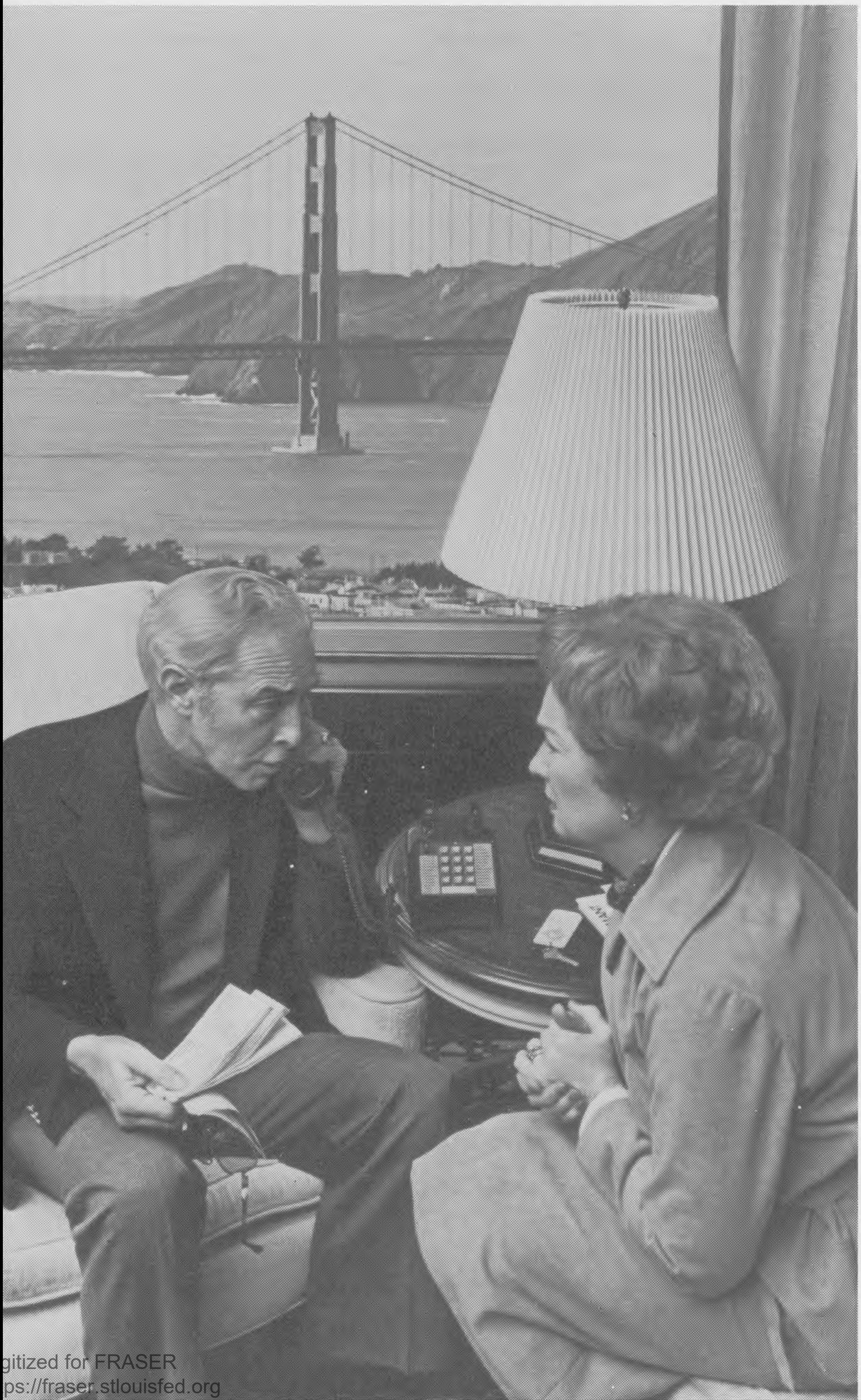

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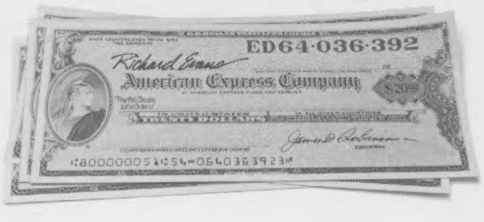

survey taken near the end of last year. Specifically, two-wheel drive tractors under 30 horsepower are expected to be down 7.6%, a more than 9% decrease from the prediction in the earlier survey. Two-wheel drive tractors, 30-99 horsepower, are now forecast to decline 10.2% to 65,100 from last year's 72,477 units while two-wheel drive over 100 horsepower are expected to drop 13.6% to 54,000 units. Four-wheel drive tractors are forecast to decrease 10.5% from last year's very good 11,455 unit sales.

Turning to self-propelled combines, where previously virtually no changes were predicted, members are now unanimous in forecasting a decline of 6% to 30,325 units, with cornheads expected to fall off 7.3%.

Among tillage equipment, moldboard plow sales are forcast to dip to 10.2% to 28,500 units in 1980; disc harrows off 8.4%; field cultivators down 5.6% to 16,000 units; and chisel plows a slight 2.3% decline.

Hay balers over 200 pounds capacity are expected to decrease 6.3% while the smaller ones are estimated to drop 13.1% to 16,300 units. Forage harvesters will be down 6.4% to the 11,650 range, and mower-conditioners should decline to the 23,000 level, a 9.4% drop.

The median forecast of a 4.1% decline in windrowers and swathers is not as bad as the 16.5% decrease expected for grinder-mixers.

The one positive note in the forecasts for field machinery sales is for cotton strippers, where a 4.3% increase to 1,850 units is predicted. This optimism is based on the expectation that cotton prices will remain strong.

Farmstead equipment manufacturers predict their dollar sales volume will be down 12% from 1979 levels, led by equipment used in hog production declining some 30%. No doubt, the outlook for pork prices is the culprit here. Sales for equipment used in dairy and beef production are expected to remain level.

Sales for portable augers and elevators as well as bin-type crop dryers are forecast to drop 15%, but three manufacturers in both categories predict slight increases. Batch and continuous-flow crop dryers should decline 10%.

Another positive note is for sales of milking machines, where a 5% increase is predicted, a slight change from the 9% increase forecast earlier.

All in all, this update report indicates a more conservative outlook on the part of manufacturing company members who are now taking a wait-and-see attitude as to what effect declining interest rates and improved commodity prices will have on equipment sales.

Area Farmers Get Free Lunch on 'Ag Day'

WHEN Union Bank, Greensburg, Ind., said, "Y'all come!" to a lunch for its farm customers, more than 800 showed up for the bank's "Ag Day" celebration. It was the bank's way of thanking these customers for their business.

Everyone at the bank, from the chairman on down, wore farm clothes, consisting of jeans, bandannas, etc., and shifts of volunteer workers made batter and formed sausage patties out of 300 pounds of whole-hog sausage. The cooking went on from 11 a.m. to 2 p.m. in the high school cafeteria. Guests consumed 32 gallons of milk, 25 dozen eggs, 15 pounds of butter, 105 boxes of pancake mix, 48 bottles of syrup and, of course, the 300 pounds of sausage.

Employees of Union Bank, Greensburg, Ind., are dressed in farm clothes and ready to serve more than 800 customers at bank's free lunch on "Ag Day."

Even the bank's directors were in on it, pouring coffee, clearing tables and "gabbing" with customers.

In addition to eating the free food, guests registered for door prizes and received as gifts rain gauges or freezer thermometers and bumper stickers honoring agriculture.

The Ag Day idea is an outgrowth of an annual Ag Day Indiana stages to emphasize the impact farming has on the state's economy. Union Bank's senior farm loan officer, Norm Comer, showed the material put out on the state celebration to Kenneth C. Hull, the bank's marketing director. Both agreed the bank could do something of a more local nature because Decatur County, where the bank is located, is a high producer of corn, soybeans, beef and hogs. The bank started out by having its employees wear farm clothes, then added the idea of distributing the bumper stickers, rain gauges and freezer thermometers.

Then, the idea expanded to putting on a feed and inviting the county since there is no phase of the local economy not affected by the farmer.

"Let's let the whole county say thanks!," was the way Mr. Hull put it.

He reports that the local radio station did a fair job of reporting, and he feels sure it will be present next year to tape public response. The newspaper, continues Mr. Hull, "disappointed me by showing up near the end and not catching the full impact of the line of people going through and the enthusiasm exhibited by our personnel. By the time it got there, the line was nearly down, and we were all pooped!" Again, next year, Mr. Hull believes there will be better response.

All in all, though, he reports, the bank benefited from the goodwill and public relations generated by the lunch for a long while after it was over. As indicated above, the bank definitely plans to repeat the program in 1981.

Janie Obermeyer (l.), new accounts rep., and Kathleen Kirby, trust dept., in appropriate outfits, serve food to one of more than 800 customers at free lunch on bank's "Ag Day."

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Banks Put Financing Package Together To Give New Life to Landmark Hotel

Editor's Note: Much of the text for this article was taken from a case study on refinancing the Peabody Hotel by Nancy M. Falls, credit manager, international division, First Tennessee Bank.

THIS is a story about bankers, developers and hotel ducks. It also is one of a city's downtown struggle to live again and the people who shouldered that goal.

The Peabody Hotel in its heyday of catering to the social elite of the South stood as a symbol of a proud and strong downtown Memphis.

Originally built in 1869 at the corner of Main and Monroe, just two blocks from the banks of the Mississippi River, the Peabody withstood federal occupation, reconstruction and the Yellow Fever epidemic.

The new Peabody, built in 1925 at the corner of Union Avenue and Third Street, did not fare so well in the long run with the social and financial epidemics of more modern times.

From 1959 to 1965, the hotel changed ownership three times. While the grand hotel reopened with optimism in 1968 under ownership of Sheraton Hotel Corp., it closed under a veil of bankruptcy procedures in 1975. Flight from the country's inner cities and competition from cheaper motel facilities proved harder on the landmark than any plague or epidemic.

In midsummer of 1975, the Peabody was sold at a public auction for about $300,000 to the Belz family, a Memphis family active in real estate development.

The hotel remained closed while the Belz family undertook a feasibility study to determine whether a sizable investment to renovate the hotel and additional facilities could make the hotel profitable and once again become a center of downtown activity.

The feasibility study was positive and signs of the time seemed to favor the Peabody. Cities around the nation had begun to confront inner-city deterioration and flight, and Memphis was no different. The financial community had remained centered in downtown, even though major retailers had moved east to suburbia. The downtown area still drew 35,000 workers each day.

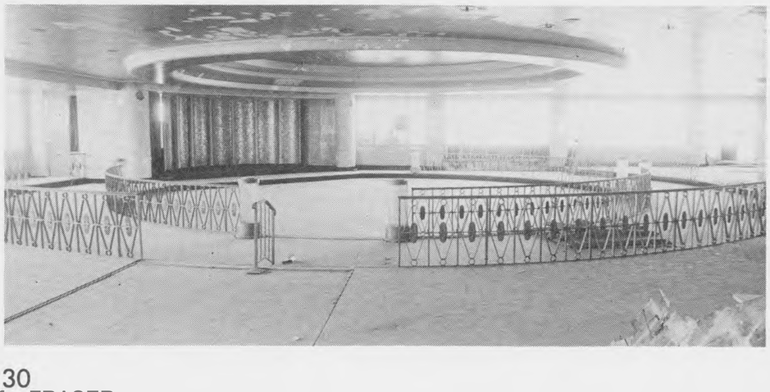
A Center City Commission was organized by concerned citizens and an ambitious Center City Action Program Concept Plan was drawn up to coordinate the various enterprises developing downtown. Five new entertainment establishments had opened since 1976. A park was under construction on the river bank and a walking mall had been created out of Main Street. The signs were positive, but not certain. A multimillion-dollar convention center had been built at one end of the Mall and was largely underused. One reason for its sluggish performance was the absence of a downtown hotel facility to house conventioneers.

So it seemed the time was right for the Hotel Peabody.

In 1978, the long road of negotiation and arranging adequate financing began to make the Belz family's dream of the Peabody a reality.

Officials at the lead banks involved, First Tennessee Bank and National Bank of Commerce, knew it would be necessary to structure a loan that would be acceptable to both the interests of the financial institutions and the developers and at the same time

(Continued on page 48)



TOP LEFT: Era of grand hotels will live again when Memphis' Peabody Hotel is renovated with help of city's banks, led by First Tennessee and National Bank of Commerce. Hotel's once-famous ducks used to be found at fountain in center of lobby.

BOTTOM LEFT/RIGHT: "Plantation Roof," replica of mansion of old South, is being remodeled inside and out. It formerly was romantic place to gaze at stars and city lights, dine and dance. Photos by Alan Copeland.

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Industrial Revenue Bonds:

They Allowed Bank to Boost Downtown Area By Erecting Its New Building There

By Jerry Prock and Joyce Prock

GROWING banks constantly must face the problem of expansion and new facilities. It is not an unhappy problem, but nonetheless, it is a major problem. A number of questions must be answered, among them — where will the facilities be located and how will they be financed?

In 1977, Murfreesboro (Tenn.) Bank faced such a problem. After 72 years of operation, the bank had outgrown its main facilities on the square in Murfreesboro. It had to decide on a new location and the best method to finance the new expansion. The method eventually selected — industrial revenue bonds (IRBs) — although not recommended for all banks, certainly opens new financing doors to banks in similar situations.

As for the location itself, several choices were open. First, and the most logical it would seem, was to build on property already owned by the bank at the site of its South Branch — a location just off the interstate with its adjacent businesses and near several major industries, but a mile away from the town square.

The square in Murfreesboro with its antebellum courthouse is the hub of financial and legal activities not only of the town itself, but for the county as well. Like many other communities, businesses in the downtown area fight a continuing battle with outlying shopping centers, which tout easy access and convenience in shopping. In Murfreesboro, the problem was compounded by the fact that the county government and offices also had outgrown their quarters and were considering building new facilities — which, of course, meant leaving the square since no suitable land was available.

Several civic and community organizations, concerned that such a move would be the death knell to the downtown area, had expressed concern over the prospect.

The second option to MBT was to consider acquiring land on the square. One possibility was the southwest corner, which had several deteriorating buildings and a few others that possibly might have been acquired. The problem was that even if the entire block could have been purchased, the property was only a half block deep — resulting in limited space at the onset with no room for future growth.

The third option, to consider property available in the vicinity of the square, resulted in a possible solution.

"On my way to work one morning, I thought of the James K. Polk Hotel," says Jack Weatherford, chairman/CEO of Murfreesboro Bank. "When I got to my desk, I made some calls and began doodling and figuring costs."

The James K. Polk Hotel, located one block off the square, had closed and subsequently was purchased by a group of investors who were considering renovating it for an office building. In addition, some land adjacent to the hotel site was available. As a whole, there was plenty of land for the building and for parking. The Polk location would allow MBT to stay in the down-

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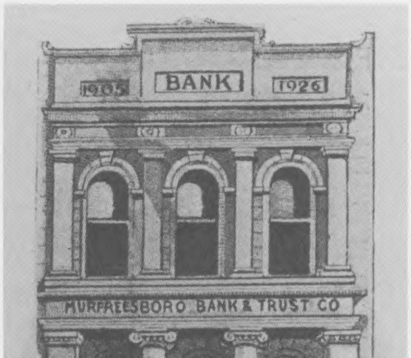
Jerry Prock is professor of finance, Middle Tennessee State University, Murfreesboro, and his wife, Joyce Prock, has taught there in the mass communications department.



LEFT: This is artist's rendering of original Murfreesboro Bank building. BELOW: This is bank's new home, which was financed by industrial revenue bonds and which is located in downtown area. Bank celebrated its first year in new home last spring.

town area — a definite benefit to the square.

Initial investigation of the hotel confirmed that renovation of the Polk was impractical. The design of the building was inadequate, and deterioration already had taken too great a toll. The big drawback now was the cost of the land and of demolition.

As a bank grows, it is necessary for its capital to grow. Murfreesboro Bank has enjoyed good capital growth.

"Murfreesboro Bank could have financed the building itself," says Mr. Weatherford, "but since Murfreesboro is growing so rapidly, we hesitated to tie up our capital. Rather than be forced to raise capital later or to issue debentures or capital notes, we decided to take the lead and look for other types of financing."

Industrial revenue bonds seemed to hold the answer. Mr. Weatherford approached the Industrial Development Board of Rutherford County, where the bank is located, concerning the possibility of MBT's using IRBs to finance its new facilities. Aware that bankers in other communities had met opposition to financing facilities of financial institutions from other boards, MBT's request took the position of justification. In presenting the case, Mr. Weatherford pointed out that MBT was committing itself totally to continued growth of the downtown area. Furthermore, because of competitive pressures, the other banks in town probably would retain their main offices in the immediate area of the square.

The Industrial Development Board approved MBT's request. Approval is a major step in a long, time-consuming, expensive procedure. Because of the expense involved, IRB financing would not be suitable for projects of less than $500,000. But for those banks whose projects exceed $500,000, the economic results are worth the effort.

It might be helpful at this point to review briefly the nature of industrial-revenue-bond financing.

Originally developed in 1939 in Mississippi, IRBs are issued by a governmental unit, which becomes the owner of the project. The petitioner or business then rents the project at a rate that pays principal and interest on the bonds. The credit rating of the business stands behind the bonds, but because the bonds are issued by a governmental unit, income to the holder is tax free.

Most states now have enabling legislation whereby they can issue IRBs. Few states, however, have extended this authority to cover retail and financial institutions. It is permitted in Tennessee. (See accompanying article for the IRB situation in other states.)

Each state sets its own limitations and qualifications for issuing IRBs. The Internal Revenue Service also has several regulations that must be met if a debt issue is to be tax-exempt. For some banks the most restrictive of these requirements is that total capital expenditures made by the lessee, within the bounds of the issuing governmental unit, cannot exceed $5,000,000 for a six-year period beginning three years before the date of issue of the bonds and ending three years after the date of issue.

The limitation exists for bond issues between $1,000,000 and $5,000,000. If the bond issue is for less than $1,000,000, there are no limitations on total capital expenditures of the lessee.

Disadvantages. As indicated, disadvantages undoubtedly exist with this type of financing, depending on circumstances, the company and the community. The one disadvantage that exists in all instances is that at the end of the original lease, when the bonds have been paid, the facility belongs to the community or county, which can continue to lease the facilities, sell

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them or give them away. This disadvantage is simply overcome by including a purchase clause in the agreement. The purchase clause usually gives the lessee the right to buy the facilities at a price anywhere from a few dollars to several thousand dollars.

As mentioned earlier, another disadvantage of this avenue of financing is that it is a meticulous, cumbersome procedure. Initially, there are meetings with the bond counsel, the preliminary visit with the Industrial Development Board, official presentation to the board, presentation to the county court and eventually to the investment bankers.

As with most government dealings, numerous records must be kept and reported. For example, MBT was required to file a record of all capital expenditures with the IRS — a procedure that is necessary because of the $5,000,000 capital-expenditure limitation.

Again, as when it took the lead with the Industrial Development Board in justifying its case, MBT took the lead with the investment bankers by supplying a list of prospective buyers for the bonds who had committed to $2.3 million of the $3,000,000 bond issue. Most of the buyers were banks in the area that purchased the bonds for their own investment purposes. J. C. Bradford was MBT's investment banker.

Advantages. Even with the limitations and disadvantages, MBT chose IRB financing because of the unique benefits. For one thing, the bank's capital would not be tied up in building and equipment. This, of course, gives the bank a greater degree of flexibility as it continues to grow.

Another distinct advantage was the lower cost of financing. The cost of MBT's project was estimated to be $3,378,000. The bond issue would be $3 million with MBT providing $378,000. Bonds with maturities ranging from December 1, 1978, to December 1, 1991, were issued with coupon rates between 4% and 6.1%. The net average annual interest cost, before taxes, for the entire issue was 6.18%. When a flotation cost of $60,000 is included, total cost of the financing will average 6.37%. This lower cost of financing is not the only savings under the IRB method. Because the project is owned by the governmental unit involved, no property taxes must be paid. The savings that result because of this would, of course, vary from community to community, but in Murfreesboro, the savings, based on the 1978 rate, would be approximately $65,400 annually.

Besides several redemption provisions under special contingencies, the bank can start retiring the bonds at its own discretion after December 1, 1986. The redemption premium on that date is 4% and declines as the maturity date is approached.

As mentioned earlier, to overcome one of the major disadvantages of this type of financing, MBT has the right to purchase the project after the bonds are retired. Through negotiations, the price was set at 2% of the bond issue or $60,000.

Not for Everyone. Even with the obvious advantages of IRBs, this type of financing is not for everyone. First of all, most states have not written their enabling legislation in such a way as to permit financial institutions to make use of this financing technique.

Banks experiencing considerable growth might not want to use this technique because of the $5-million upper limit on capital expenditures over a six-year period. Of course, leasing some capital equipment and redemptions clauses in the IRB agreement can be used to lessen the hardship created by this restriction.

Because of expenses involved, practically speaking, there is also a lower limit to this method of financing. Officials at MBT have estimated that the lower limit is about a half-million dollars. If the paperwork required could be lessened, this lower limit would decline, but, as things now stand, MBT estimates that its legal, printing and miscellaneous costs ran $30,000.

A further consideration, which was an important part of MBT's deliberations, is the ethics of a financial institution using tax-free IRBs. It is here that industrial development boards wield the strong arm of discretion. The original intent of IRB financing was to stimulate industry and create new jobs in areas of underemployment, with the fundamental intent to benefit not the specific industry, but the community as a whole. Thus, it is with industrial development boards that this final decision must rest. In the case of MBT, the Industrial Development Board of Rutherford County felt it was definitely in the interest of the community as a whole to stimulate and support further development in the downtown area.

In conclusion, although IRB financing will not suit the needs of every financial institution, it is an avenue of financing that should be considered in those states where it already is permitted. Furthermore, banking associations might well consider lobbying for its legalization in states where it is not available. • •

Other States Have IRB Financing, But Not All Cover Banks

THE article beginning on page 33 tells how a bank in Tennessee financed its new building through use of industrial revenue bonds (IRBs).

Such bonds are issued by a governmental unit, which becomes the owner of the project for which the bonds are issued. The petitioner or business then rents the project at a rate that pays principal and interest on the bonds. The business' credit rating stands behind the bonds, but, because the bonds are issued by a governmental unit, income to the holder is tax free.

As is pointed out in the accompanying article, most states have enabling legislation whereby they can issue IRBs, but few states have extended this authority to cover financial institutions. Obviously, Tennessee banks can use IRB financing.

A check of the other 12 states covered by MID-CONTINENT BANKER shows that all of them have IRB legislation, but it doesn't cover banks in four of the states.

Specifically, here is how the states line up:

Alabama. A bill was passed in the regular session of the Alabama Legislature creating a state agency to issue tax-free bonds to be used for housing. This legislation *does not include* use of such bonds for financial institutions.

Arkansas. This state's IRB law, now about 20 years old, does not cover banks. It does allow municipalities and counties to use IRBs to secure and develop industry, declare an emergency and for other purposes.

Illinois. Such bonds can be issued here, but only industrial firms are covered, not financial institutions or retail stores.

Indiana. These bonds are allowed, and financial institutions are covered.

Kansas. IRBs can be issued here to cover financial institutions.

Kentucky. Legislation enacted during the 1980 regular session of this state's General Assembly apparently would permit financing of bank buildings — under certain conditions — with proceeds of IRBs.

Louisiana. IRBs are allowed here and cover banks.

Mississippi. Although IRBs are allowed here, they don't cover financial institutions. According to Jerry Prock, author of the accompanying article on IRBs, this type of financing was developed originally in Mississippi in 1939.

Missouri. A change in statutes here will allow banks, as of August 13, 1980, to make use of IRBs. Until now, the law was limited to industrial plants and for industrial purposes. After August 13, the law will be expanded to commercial enterprises and office buildings. As a result, banks will be able to use IRBs to erect new bank buildings if such structures will be for the good of the banks' communities. That is, if they help improve a community's downtown area, increase employment, etc.

New Mexico. Banks here can use IRB financing if they obtain the approval of their respective city administrations. Generally, the latter are concerned about rehabilitating their downtown areas. Thus, they probably would consider a new bank building a good reason to allow the bonds to be issued. Such a project would improve a downtown area and keep jobs there or possibly increase employment.

Oklahoma. Retail and wholesale outlets can use IRBs, and urban-renewal projects can be financed this way here, but not banks.

Texas. Under enabling legislation here, IRBs can be issued for enterprises categorized as commercial, industrial, manufacturing and medical research.

The Texas Industrial Commission is authorized to issue regulations under which application for issuance of bonds can be made, and to date, the commission has issued no regulations for commercial enterprises. According to James C. Lederer, associate counsel, Texas Bankers Association, it doesn't intend to issue regulations for commercial enterprises and thus forestalls any applications of this nature. In addition, Senator Ed Howard, who was a sponsor of this legislation, intends to introduce a bill in the next legislative session that would take commercial enterprises outside the scope of the statute. Accordingly, at this time, IRBs for commercial institutions, which would include banks, are not being issued unless they fall into one general exception.

If a city has an Urban Development Action Grant (UDAG) designation, any project within the area may qualify for issuance of IRBs. Many smaller cities in Texas and approximately 20 cities with populations of 50,000 or over presently have UDAG designations. In these situations, the city councils or county commissioners must approve an application by any enterprise for issuance of IRBs. The intent of this was to decide on a local level whether a commercial enterprise should have the advantage of participating in the program.

It should be noted, says Mr. Lederer, that if an area has a UDAG designation, any type of project approved for the area may take part in issuance of IRBs even though it is not a manufacturing, industrial or medical-research project. ● ●

Equity-Investment Record At Hibernia National Cited by Nat'l Magazine

NEW ORLEANS — Hibernia National's trust division has been recognized by a national financial news magazine, *Pensions and Investments*, for having the best equity investment performance record among banks in the U. S. over the past 10 years.

The performance survey, which covers major banks and insurance-company commingled funds for employee-benefit assets was conducted by the biweekly publication, which reports news about large corporate and institutional investors.

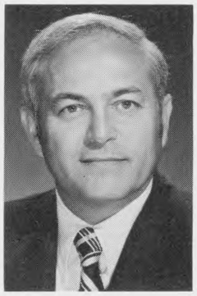
Hibernia National also ranked sixth among banks nationally in performance of fixed-income investments over the past five years.

The bank's return in its Common Trust Fund A for equity funds was 9.5% annually for the 10-year period compared to a 5.6% return for Standard and Poor's (S&P) 500-Stock Index. The fixed-income return for the five-year period was 7.8% annually, substantially higher than the Salomon Brothers Index, which was 1.8%.

Hibernia National's trust division, said to be the largest in Louisiana and among the 100 largest in the country, currently manages more than $850 million in fiduciary assets. Total trust-division resources are more than $1.1 billion.

Community Development

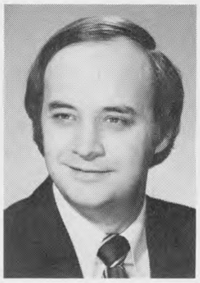
Tennessee Bank Finances Local Firm With Help From Its Correspondent



JOHNSON

LOGUE

These men play key roles in correspondent relationships between Third Nat'l and its respondent banks.



MILES

WHEN Donald L. Eden was discharged from the Army in 1971 after serving with the Fifth Special Forces Group in Vietnam, he went back home to Springfield, Tenn., to sort out the career options that lay ahead of him.

Those options were a bit incongruous, according to his friend and banker, Lanny Wilkinson, executive vice president/manager, White House (Tenn.) Branch, Farmers Bank of Portland, Tenn., but they ultimately would lead to Mr. Eden's capital needs being met by what Mr. Wilkinson calls a "classic case of the way a correspondent-banking relationship should work."

"Don was a journeyman lineman/ with several years' experience in power-line construction," Mr. Wilkinson recalled in a recent interview, "but he also held a bachelor of science degree in agricultural economics from the University of Tennessee."

Then, with the spark of an entrepreneur, Mr. Eden added to the incongruity — he bought half interest in a women's fashion shop. The business went well, but after a year, Mr. Eden says, "I was bored to death."

At that point, an opportunity presented itself, Lanny Wilkinson took something of a chance on a young man he believed would make it, and a now-successful and thriving small business was born.

Today, Don Eden's Eusco, Inc., of White House is a leader in electrical utility equipment sales, serving parts of eight states. On the way to getting there, however, Eusco's growth caused its capital needs to outgrow Farmers Bank of White House. Mr. Wilkinson turned to Third National, Nashville, and the relationship that developed is what Mr. Wilkinson describes as "classic: serving the customer first and sharing of risks and rewards by the 'down-home' bank and the 'big-city' bank."

Mr. Wilkinson, who farmed full time in this rural north central Tennessee area until 1960, when he went to work for Farmers Bank "so I could afford to keep farming," said Eusco, Inc., started as "little more than an idea and a lot of sweat."

Mr. Eden, he related, began with one employee, repairing and servicing powerline construction equipment for a company partially owned by his brother.

"Once established with our service business," Mr. Eden said, "we entered into the sale of new equipment and eventually moved into a number of lines of equipment needed by all electric utilities for construction and maintenance of their electric distribution systems."

Since the bulk of Eusco's business involved ordering truck bodies from the manufacturer and custom-making them from there by mounting specialized digging or aerial equipment on them, capital needs were quite large.

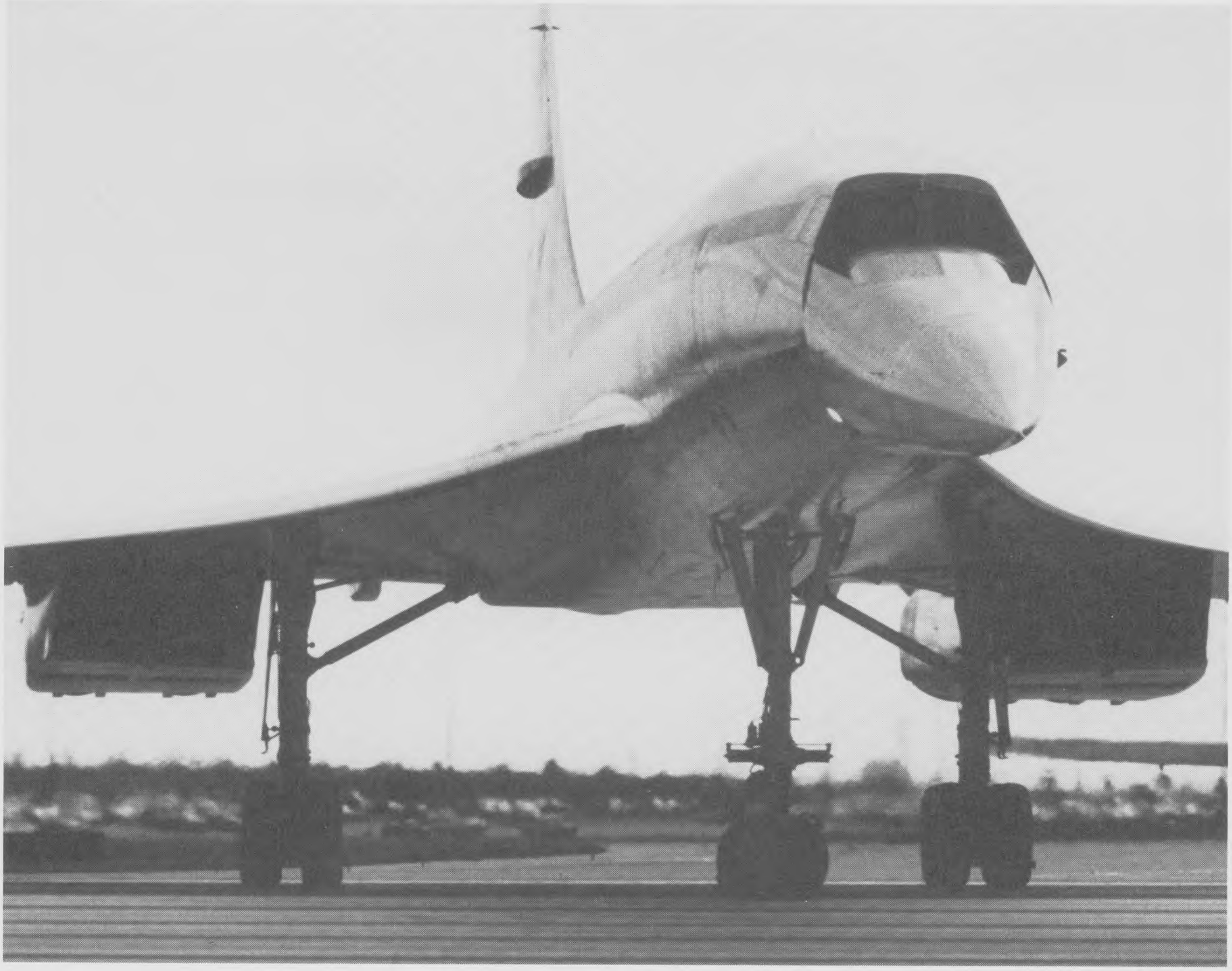
"As soon as he'd get a purchase order signed, Don would just bring it to the bank and tell us how much money he needed," Mr. Wilkinson said. "It's not the most conventional way to go about the business, but Don kept the orders coming in and built his operation soundly. There was plenty of work for this young company to do — it just needed the operating capital to get it done.

"We felt all along that Eusco, Inc., was a winner, but I had to remind Don from time to time that he was about to outgrow us in terms of lines of credit we could extend," Mr. Wilkinson added.

When the time came to look for new money, Mr. Wilkinson recalls, "We went to Third National in Nashville." So Eusco president Don Eden, Farmers Bank president William Parnell and Mr. Wilkinson went to see Sonny Johnson, Third National senior vice president in charge of the correspondent banking department, and Hank Miles and Bob Logue, vice presidents who work in the areas of industrial development and small business loans.

Two trips to Nashville — "and on the second one we picked up the check" — resulted in a shared line of credit and a solid "partnership" among the three entities: Eusco, Inc., Farmers Bank, White House and Third National,

Donald L. Eden, pres., Eusco, Inc., started his business with "little more than an idea and a lot of sweat." Now his firm provides equipment to electric utility industry in eight-state area.



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From the days of cattle trails to the days of supersonic jets trailing off in the sky, Dallas has been a transportation hub. A crossroads of the nation ... and now the world.

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Our correspondent banking division is known across the United States. Through Republic National Bank of Dallas, you can offer your customers a complete range of financial services such as trust and investment, petroleum and minerals, even international.

Republic's help and cooperation are sought by correspondent banks in virtually every state. Because we offer our correspondents the capabilities and financial services of the Southwest's preeminent commercial bank.

Republic is one reason that Dallas has become the lead city in correspondent banking. Yet even though bankers pass through D/FW Airport on a regular basis, they're only a hint of what the future holds.

For us—and for Dallas—the best is yet to come.

Republic National Bank is Dallas.

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Lanny Wilkinson (3rd from l.), e.v.p./mgr., White House branch, Farmers Bank, Portland, Tenn., visits with Eusco, Inc., executive officers (from l.) Dale Story, Joe Eden and Ed Groves.

Nashville.

Don Eden is happy with the way the relationship has worked out, because it has allowed his business to continue to grow and prosper. Mr. Wilkinson is pleased with the arrangements, too, but he sees it in a little different light.

"We're always happy to have a bigger bank backing us up, not only for the financial resources it can provide, but for its expertise in other special areas that we as a smaller institution just can't afford to have on staff.

"We call on the Third for advice as well as for overlines. It's just good business all the way around: Our relationship helps us meet our customers' needs — and keeps them banking with their hometown bank. For our part, we help Third National offset its costs by maintaining an account there, so the relationship works well all the way around."

Bob Logue of Third National adds his perspective to the relationship in this way: "In a case like this, we become *ad hoc* members of Lanny's staff, adding our efforts to his in a way that is better than either of us could do it alone."

Close cooperation with small businesses such as Eusco and correspondent institutions such as Farmers Bank of White House were among the elements, Mr. Logue said, that led to Third National's recent designation as a "certified" bank by the Small Business Administration.

Under the certification program, which is designed to give better, faster service to small business borrowers, there are simplified procedures and shorter processing time for SBA bank-guaranteed loans.

In normal circumstances, the SBA conducts an in-depth analysis of all small-business loan applications it receives from banks. Under the certification program, however, Third National will make the in-depth analysis and the SBA only reviews the application.

Joe Shaver, SBA district director for Tennessee, said the certification is granted because of a bank's proved ability to process applications within the parameters of the SBA's credit criteria and also knowledge of the various regulations regarding size standards and eligibility factors.

For Lanny Wilkinson, the bottom line is his increased capability to serve his customers in a rural town of about 3,000 persons, on the historic thoroughfare that used to carry overland travelers from Nashville to Louisville.

"The relationship between a small businessman and his banker is a special one, to say the least," he said. "And the special relationship we are able to have with Third National helps to keep it that way." ● ●

$1.7-Million Loan Made

NASHVILLE — Third Nat'l is funding a $1.7-million, 10-year term loan to Kleer-Vue Industries, Inc., Brownsville, Tenn., with the loan being guaranteed by the Farmers Home Administration. The funds will be used for new equipment and working capital by Kleer-Vu, manufacturer of photo albums, stationery and microfilm products.

Bank Funds St. Cloud Corner

These two historic buildings in downtown Nashville are being renovated into new office space and a pedestrian retail mall, with financing for the project being contributed by Third Nat'l. The development, at a major downtown Nashville intersection, gets its name from a famous hotel that operated on the site beginning in about 1850. A portion of the building that was used as the hotel as late as 1870 remains a part of the structure now being renovated. The retail area will be ready for occupancy early this fall, and the office area will follow on a phased basis beginning in the fall.

Banks Can Fill the Capital Void Facing Growing Business Firms

By Calling in a Commercial Finance Organization

By Russell B. Donahue
Executive Vice President
Associates Commercial Corp.
Chicago

THE IMPACT on many communities — large and small — of the capital-raising problems facing growing companies is profound. The ability of small- and medium-sized businesses to grow and prosper has a direct effect on local employment, local tax revenues and the health of many local economies.

For decades the growing business' principal source of capital and financing expertise has been the regional bank, which ably has fulfilled a broad range of banking needs. Working with businesses in a variety of industries, regional banks have helped many small companies grow into large ones and have made an immeasurable contribution to the financial well-being of many communities.

Today, however, the link between regional banks and growing business is threatened by the forces of inflation and competition. To strengthen that link, a growing number of regional banks are working in partnership with independent finance organizations like Associates Corp. of North America and its commercial finance subsidiary, Associates Commercial Corp., to meet the capital needs of their commercial customers.

Filling a Capital Void. No one has felt the sting of inflation more than the independent businessman. Painfully, he has learned that even though his sales may continue to be strong, he must sell that much more of his goods and services or fall behind inflation. Today's growing business is running faster than ever — just to maintain its present value.

But keeping up with inflation often forebodes a reduction in the quality of a growing business' balance sheet. Inflation requires greater dollar investment by businesses in their receivables and inventories. As a result, assets and corresponding liabilities build at a faster pace than equity, thereby deteriorating the liquidity and leverage ratios of many small firms.

The reduced quality of corporate balance sheets has diminished the access of many small- and medium-sized businesses to traditional sources of financing. Access to financing in the commercial paper market and the private placement of insurance capital traditionally has been available only to larger, more prestigious companies. And in the equity market, where investors have become increasingly risk-averse, the ability of growing businesses to raise capital has been severely diminished.

However, many concerns have found that one avenue that's open to them in their search for capital is asset-based financing.

Loans secured by the assets of a growing corporation reduce the level of risk for the lender. This diminished risk often allows lenders to make more funds available than normally possible and gives businesses greater flexibility to take advantage of business opportunities that require immediate funding; flexibility that is critical to the ability of companies to grow and prosper.

As a result, secured financing has become a widely used lending tool for many larger banks, which have recognized a significant new business opportunity in the asset-based lending field. Because of this increased interest in, and demand for, asset-based financing, major banks have become more active in commercial financing. The National Commercial Finance Conference (NCFC) reports that 58% of its members are banks or are bank-controlled, as compared to 19% in 1970.

Major banks now have a substantial share of the small-business financing market. By establishing regional financing offices to serve individual markets, these large organizations are moving into areas once served exclusively by regional banks, traditionally the financing backbone of small- and medium-sized businesses.

Consequently, regional banks must meet the needs of their commercial clientele. If not, they not only risk losing the financing business, but also the opportunity to provide other banking services to these commercial customers.

A Financing Partnership. Providing asset-based loans to small business can be done by local, independent banks in a number of ways, including establishment of an in-house capability. But most regional banks find this inefficient, perhaps even impossible, because of the limited market in their area to support the effort — and more importantly, because of the overriding need for seasoned, knowledgeable and experienced personnel to staff an asset-based financing capability.

Few banks can afford to assume this risk or the cost of establishing an in-house capability. Thus, the emerging alternative is entering into participation loans with independent commercial financing organizations. This partnership provides customers of regional banks with access to the expertise, experience and financial resources necessary to evaluate, fund and administrate asset-based loans.

The Impact on Growing Businesses. The Associates and other finance companies are uniquely qualified to help banks fill the capital void facing growing businesses. Years of working with small- and medium-sized firms have given independent finance organizations the background necessary to understand the credit needs and credit risks of growing businesses.

By utilizing independent finance organizations, banks not only give

National American Bank of New Orleans

Statement of Condition as of June 30, 1980

RESOURCES

Cash and Due from Banks		$ 87,934,462.12
United States Government Securities		147,914,527.88
State and Municipal Obligations		8,985,877.57
Other Securities		3,354,279.04
Bank Buildings and Equipment		8,916,718.62
Loans and Discounts	81,152,015.07	
Less Unearned Income	734,291.03	
Less Reserve for Possible Loan Losses	1,105,494 58	
Loans, Net		79,312,229.46
Federal Funds Sold		72,000,000.00
Customers' Liability Account Acceptances		31,337.00
Other Assets		6,376,118.17
Total		$414,825,549.86

LIABILITIES

Common Capital Stock	$ 4,000,000.00	
Preferred Capital Stock	1,042,500.00	
Surplus	14,150,000.00	
Undivided Profits	10,747,014.55	29,939,514.55
Reserve for Taxes, Interest, etc.		4,035,851.78
Federal Funds Purchased		5,825,000.00
Liability for Capitalized Leases		1,083,753.00
Dividends Payable		12,640.32
Liabilities Account Acceptances		31,337.00
Demand Deposits	203,926,217.22	
Time Deposits	169,971,235.99	
Total Deposits		373,897,453.21
Total		$414,825,549.86

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their customers needed access to asset-based lending expertise, but also maintain their depositor relationship with these customers.

From the borrower's standpoint, this partnership arrangement makes it attractive for him to maintain a relationship with his bank that services so many of his financial needs. By receiving the financing help he requires, the growing businessman can continue to place the management of trust and retirement fund assets and demand deposit relationships in the hands of his local banker, and maintain contact with one of his most important sources of business referral.

But for most small- and medium-sized business borrowers, the most important benefit of the partnership between regional banks and independent finance organizations is the financing flexibility borrowers can receive at competitive rates. Growing companies can tap an open line of credit when they need it without compensating balances and take advantage of cash discounts on purchases of attractive new-business situations that require ready capital.

The partnership also allows the regional banker to provide businesses with a wide range of asset-based lending services. Not only can a regional bank serve a growing customer with a line of credit secured by the firm's assets, but it can help the firm generate needed capital by financing its accounts receivable. Utilizing the expertise of broad-based finance organizations, like the Associates, regional bankers also have the capability to offer their customers acquisition financing services, as well as the financing of new plant and equipment.

This asset-based lending capability also can extend to government-guaranteed lending programs targeted to small- and medium-sized businesses. The Associates and other commercial finance companies have worked closely with the Small Business Administration (SBA) and the Farmers Home Association (FmHA) to structure government-backed secured loans to growing businesses.

The forces of inflation and recession have restricted the ability of many companies to grow and have diminished the chances of many others to survive. The recent White House Conference on Small Business identified the capital-raising problem as the number-one obstacle facing growing companies.

Financing partnerships with independent finance organizations has a positive impact on the individual business communities served by regional banks. By providing small businesses with the capital they need, regional banks promote the economic development of many communities at a time when there are many obstacles to growth.

Perhaps the most important element in this is the regional bank's strength in making available the working capital that small businesses need to survive in a troubled economy. In so doing, regional banks help to maintain a high level of employment and the strength of other local businesses that supply goods and services to a growing company and its employees.

If the forces of inflation and recession have deepened the capital void

Objective of New ABA Board Is Community Development

A COMMUNITY economic policy board has been formed by the ABA to monitor, encourage and facilitate bank participation in community and neighborhood-revitalization efforts and coordinate exchange of ideas and experiences among banks, community groups and federal, state and local government agencies.

The new board's official mission includes assisting bankers in continuing and intensifying efforts to assess and respond to community needs, facilitating bankers' participation in revitalization programs and keeping bankers informed of legislative and regulatory actions affecting their community-economic-development activities.

"The economic health of an increasing number of both large and small communities and central-city neighborhoods is being threatened by dwindling tax bases, decreasing job opportunities and decaying housing," says Walter J. Connolly Jr., chairman of the policy board and president, Connecticut Bank and CBT Corp., Hartford. "Unless these areas are to be abandoned altogether — and that should not be considered as a viable alternative — the private sector must become more actively involved in finding solutions.

"The banking industry has had a long-standing commitment to community revitalization. However, creation of this board reflects an awareness of the need to continue, and even intensify, these efforts."

Mr. Connolly cites two basic areas of concern in which the commercial-banking industry can have a direct impact — housing and employment.

"Because lending is one of the primary functions of commercial banks," he points out, "it is only natural to expect that our communities should look to us as a catalyst in implementing creative housing-finance and commercial-lending programs. Also, because most banks are looked on as leading institutions in the communities they serve, it also is natural that we should be expected to take a proactive role in implementing minority training and recruitment programs.

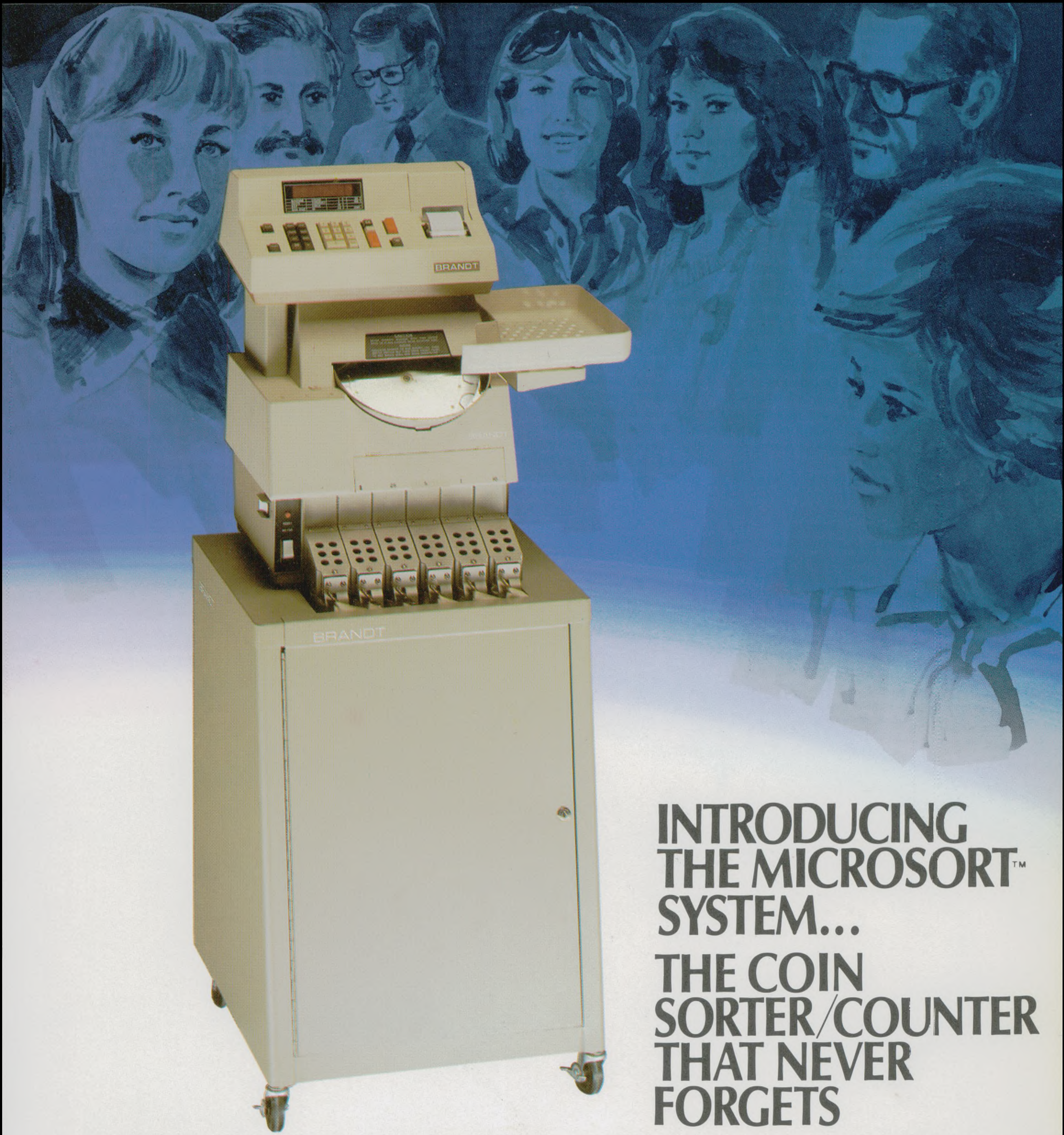
"Banks cannot and should not be expected to do it alone. Only through effective public/private partnerships involving creative use of financial and manpower resources of banks, other business organizations, local, state and federal agencies and community groups, can such formidable community-revitalization needs be met."

Despite certain common elements, Mr. Connolly continues, no two communities have the same set and degree of problems. Also, the success of revitalization efforts will vary depending on attitudes and effectiveness of local officials and extent to which the private sector is willing and able to play an active role.

"It's unrealistic to think that there is a single cure-all that can be universally applied," he warns.

Two Mid-Continent-area bankers are on the new policy board: Eugene R. Croisant, senior vice president, Continental Illinois National, Chicago, and Donald E. Lasater, chairman/CEO, Mercantile Trust, St. Louis.

Ex-officio members are ABA President-Elect Lee E. Gunderson, president, Bank of Osceola, Wis., and John Perkins, ABA council chairman and immediate past ABA president. Mr. Perkins is president, Continental Illinois, Chicago.



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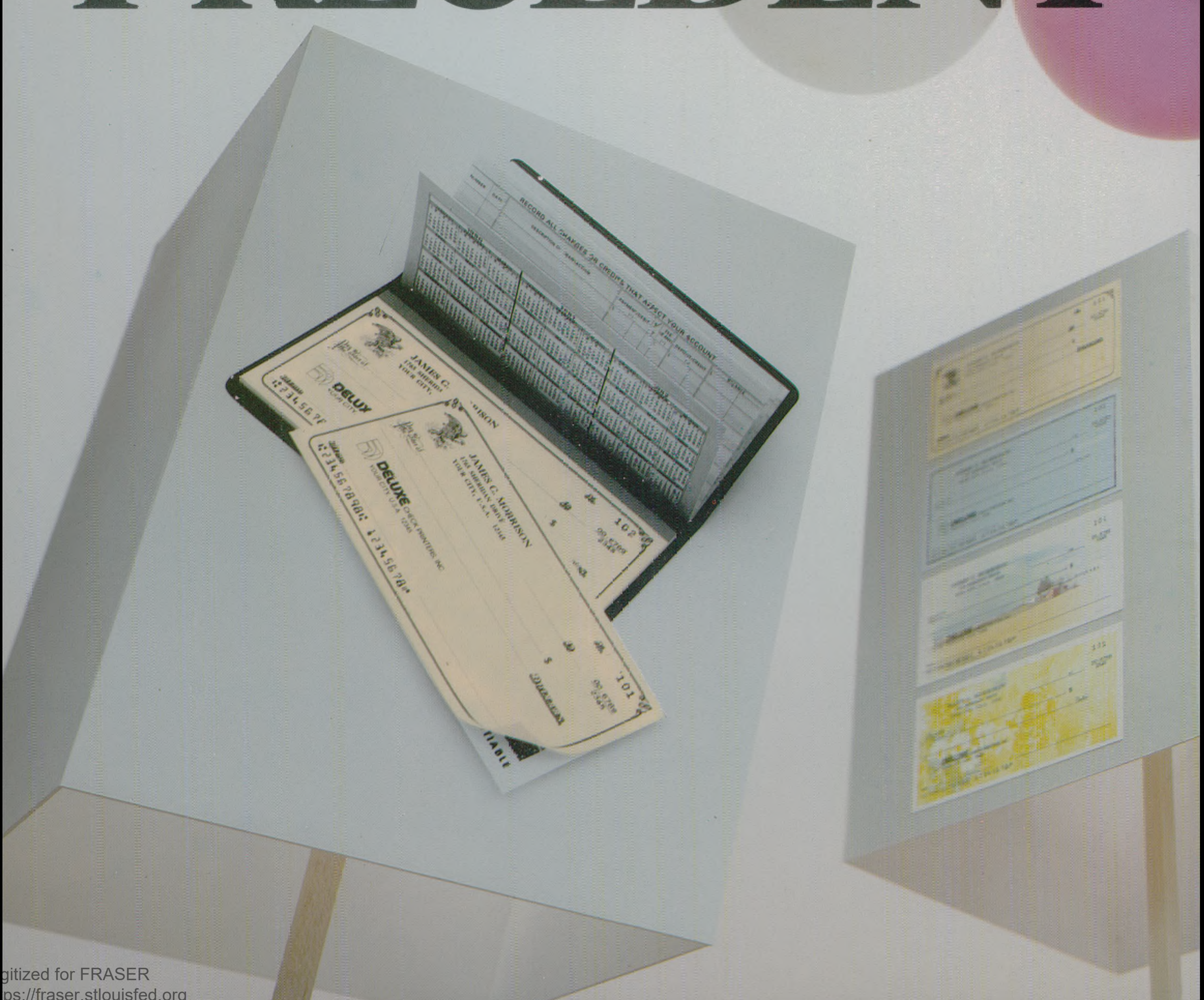

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facing small businesses, then, working together, small banks and independent commercial finance organizations can help fill this gap. In the process, they can take advantage of significant new-business opportunities in asset-based financing and promote the economic development of local communities. ● ●

Financing Package

(Continued from page 30)

give a proper return on each party's investment.

The two banks set about bringing other financial institutions in on the Peabody refinancing and making it a true community project.

After 18 long months of negotiation and much planning, the necessary financing package was put together.

The basis for the banks' participation was size. The banks would assume a portion of the total loan liability equal to their percentages of total assets of all banks involved.

To reduce the risk of the lenders, First Tennessee and the developers set about gaining an Economic Development Administration 90% guarantee of both the construction and the permanent loan. In addition to the EDA guarantee, the city of Memphis had agreed to guarantee $1 million of the loan. At a later date, the city changed from issuing its guarantee to the developers to issuing a direct loan, subordinate to the financial institutions' loan.

Obtaining an EDA guarantee proved time consuming because of the plethora of paperwork required to involve the government and because a guarantee of this type of loan was a first for the Atlanta EDA office. The lead banks had to assure EDA that not only was the venture a probable success, but that private financing would not be possible without the government guarantee.

On January 11, 1979, the EDA gave an indication that it would look with favor on the project. At a later date, the EDA made a direct $600,000 loan to the developers, subordinate to the financial institutions' loan.

Finally, after almost four years of negotiation by Memphis banks and developers, the financial package was completed and publicly announced February 29, 1980, in the hotel lobby. Bankers and developers formed an impressive wall in front of the fountain where the famous ducks once swam.

Since this $11.2 million in permanent loans was a community project, banks involved agreed to subsidize the project by giving a below-market rate to the developers that would further help secure the success of the project.

The construction loan also carries a preferred rate.

First Tennessee agreed to provide 54% of the construction money, or $6 million, and NBC agreed to provide 22%, or $2.5 million.

As a result of one bank falling out of the construction loan at the last minute, Chicago's Harris Bank graciously agreed to step in and participate with 8.5%, or $957,220. Other participants — all in Memphis — are C & I Bank, 6%, or $696,000; United American Bank, 3.6%, or $414,710; Commerce Union Bank, 2.7%, or $308,490; City National, 1.3%, or $149,160; and Tri-State Bank, 1%, or $117,520.

The Chicago bank will be replaced in the permanent loan by Union Planters National, also in Memphis, which has pledged $1.8 million.

Jack Belz spoke of the "exemplary partnership" between his company, competing banks, city administration and council, county board of commissioners, Center City Commission and EDA that made the long-sought deal possible.

"It's a reality . . . It's a done deal," said Roy Kidd, senior vice president, First Tennessee, on the day of the closing of the loan package, March 8, 1980. It took all day for the bankers involved to sign some 100 documents.

That day represented four years of financial and political planning. No one ever said it would be easy to revitalize a city's downtown, but the hard work is paying off even before the Peabody's doors are open.

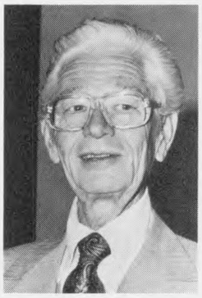
Vacant two- and three-story cotton-classing buildings along world-famous Cotton Row have been turned into apartments and condominiums downtown. Professionals are turning shells of old garages into attorneys' offices. The pioneer trend is even catching on in midtown, the residential area on the skirts of downtown, with people opting to renovate older homes and live closer to their work.

As Ronald Terry, chairman, First Tennessee National Corp., put it, "The Peabody project is more than the renovation of an old hotel. It is the beginning of the renewal of the spirit of the city. As much as any other single piece of property, the Peabody represents the history and culture of this city. To the extent it has been the symbol of downtown's failure, its rebirth will be a symbol of the success of downtown redevelopment we all have been looking for. Certainly, the tenacity demonstrated over the past four years by all parties involved in this project proves real commitment to revitalization of our central city." ● ●

First Tennessee Honored

First Tennessee, Memphis, received a 1979 "Business in the Arts" award at recent ceremonies in Corning, N. Y., for its participation last year in the arts. The bank was nominated by the Memphis Arts Council. Listed chiefly was its 1979 commitment of more than $100,000 a year in "First Bravo" awards to applicants whose cultural projects are chosen to enhance the arts in Memphis and Shelby County. The award is cosponsored annually by *Forbes* magazine and the Business Committee for the Arts in New York. Shown at the presentation ceremonies are (l. to r.): Edward Strauss, pres., Business for the Arts committee; Carol Coletta, public relations mgr. at the bank, who accepted the award, and James Dunn, *Forbes* editor.

Richard B. Johnson Dies



Richard B. Johnson, 66, died June 27. He was president and founder of the Southwestern Graduate School of Banking at Southern Methodist University, Dallas, founder and director of the Assemblies for Bank Directors and professor emeritus of finance and economics at SMU. His early career included serving as assistant to the comptroller, American National Insurance Co.; instructor and assistant professor of economics, University of Arkansas; regional business consultant to the U. S. Department of Commerce and research economist, Dallas Fed. At the latter, he was named senior economist in 1946 and held that post until joining SMU in 1948. As chairman of the SMU economics department, Dr. Johnson founded the university's first doctoral program. He initiated an extensive publications/research program for bank directors and edited books for bankers and bank directors.

IF IT'S NOT ONE THING, IT'S ANOTHER.

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Banks Initiate, Support Multitude Of Community Involvement Projects

Kids Learn Money Management From Mr. Day & Night Teller Program

IT'S NOT uncommon for someone to take a serious look at his personal finances and wonder what in the world went wrong. But how often does one explore the manner in which he or she learned, or didn't learn, to manage money and credit?

Wouldn't it be great if everyone had the opportunity to learn basic money management at an early age so they could have a head start on this vital aspect of adult life?

Look no further than First National Bank of Arizona and its Mr. Day & Night Teller program. The program, said to be the first of its kind in the United States, is taking simple money management techniques into Phoenix-area fourth- and fifth-grade classrooms on request in an effort to help young consumers in the 9-10 age group.

Mr. Day & Night Teller, a colorful costumed character who resembles the bank's Day & Night Teller ATM, talks to children directly in the classroom about money management. Through visual aids, group participation and an illustrated workbook, he gives youngsters information on the importance of saving, principles of borrowing money and how to do a simple budget and determine a good value.

"For many years now, the First has offered films and speakers to Arizona high schools as resources and teaching tools on topics such as banking services, economics, careers in banking and money management," said Barbara Lambesis, manager of the bank's public relations department. "However, it has been observed that few resources on simple money management techniques are available for younger students, many of whom handle considerable sums of money."

In addition, children are reluctant to take their parents' advice on money matters, Miss Lambesis said. Personal money management tips and encouragement at saving often go unheeded by children in the 9-10 age group because they are getting their first taste of preadolescent independence. These youngsters are unwilling to heed the advice because to them it appears to be control over their own funds, Miss Lambesis said.

A calculator on Mr. Day & Night Teller helps youngster add her sources of income during lesson on how to prepare simple budget. First Nat'l of Arizona basic money management classroom presentation teaches youngsters importance of saving, principles of borrowing money and how to determine good values.

That's where Mr. Day & Night Teller steps in.

Mr. Day & Night Teller is an independent authoritative figure who excites children, said Len Beard, a professional actor and full-time First National public relations employee who plays the role of the animated banking machine. Mr. Day & Night Teller also can keep student attention focused on the entire presentation, he said.

Mr. Beard said students eagerly participate and that often it is difficult to be sure as many students as possible have a chance to answer a question or be a helper. While the presentation is entertaining, Mr. Beard said, youngsters also have the chance to learn sound money management at an age when their adult spending habits are forming.

Bank officials said Mr. Day & Night Teller has broken through social barriers among children. They said he appeals to all youngsters and that students easily interact during the presentation.

The program, which is being piloted in Arizona's Maricopa County, started in early April and has reached several thousand students. Mr. Day & Night Teller is averaging three presentations a day before 65 to 70 students per session. Sometimes he gives five presentations in a day.

The program also appeals to teachers. Mr. Beard said Maricopa County teachers began requesting classroom appearances as soon as the program started and that Mr. Day & Night Teller was immediately booked solid through May when school ends.

Written comments from teachers who have seen the presentation speak for themselves:

"Mr. Day & Night Teller established instant rapport with the students. The program shows the children the value of saving."

"Children need more exposure to this type of program for consumer awareness."

"Teaches children about banking in their early school years. Most texts don't cover this until high school."

Although school is not in session during summer, Miss Lambesis said Mr. Day & Night Teller is busy appearing at day camps, parks and recreation programs and other summer youth activities that lend themselves to an atmosphere of learning. First

National plans to expand the program to the statewide level this fall.

The Mr. Day & Night Teller educational program was developed in cooperation with the Arizona Department of Education (ADE). Teaching professionals working on the project include the coordinator of special projects in the ADE Division of Education Services and math coordinators from four Maricopa County school districts.

First National is offering the program free of charge as a community service. Teachers simply request a classroom appearance by calling the bank's public relations department.

So what about those young consumers? Will they some day wonder what went wrong with their finances? If Mr. Day & Night Teller has his way, they will at least have an early start on avoiding that problem. ● ●

Bank's Energy-Saving Effort Recognized by Governor

A certificate of honor from the governor of Oklahoma has recognized the energy conservation efforts of Liberty National, Oklahoma City, in providing an energy savings center in the bank lobby to help customers save energy.

The bank's Energy Savings Center, opened in May, is staffed by Assistant Vice President Nancy Saylors, who provides counseling on energy savings subjects to customers who visit the booth.

The center was designed by artist Paul LeFebvre to demonstrate many energy-saving ideas in home construction. Resembling a cutaway portion of a home under construction, the booth exposes sections of insulation in walls and ceiling and shows weather stripping and caulking around windows and doors to make homes airtight.

An outstanding feature of the center that has attracted much attention is a file of thermograms of homes in central Oklahoma. The thermograms were furnished to Liberty by the Center for Economic and Management Research at the University of Oklahoma. They were prepared under the auspices of the Oklahoma Department of Energy, and are made available at no charge to the citizens of the state.

Thermograms are infra-red aerial photographs, made at night during the winter from an altitude of 750 feet. They show heat-loss in buildings and homes. Miss Saylors has been trained to analyze the photographs and help interested citizens determine the need for added insulation in their homes.

The photographs show where heat may be escaping from homes, indicating an energy loss. They fill several file drawers and are combined with a map of the Oklahoma City area so that interested citizens can locate their individual homes. When a home is identified, the heat loss can be determined from the photograph and the need for insulation decided. Since the booth opened, several hundred customers have viewed thermograms of their homes and been counseled about energy-savings ideas.

A ChecOKard automatic teller machine is also a part of the display. It demonstrates that, with more than 65 locations across the state, ChecOKard makes banking easier by helping customers save gasoline, time and money.

Energy Savings Center at Liberty Nat'l, Oklahoma City, features cutaway of home under construction that exposes sections of insulation in walls and ceilings. File of thermographs enables residents to determine if their homes are suffering energy loss.

Urban Fellowship Offered To Minority Person

Boatmen's National, St. Louis, has established an Urban Fellowship in cooperation with the department of community development at the University of Missouri/Columbia.

The one-year, $5,000 fellowship will be awarded to a St. Louis minority person who has demonstrated an interest in work in neighborhoods and who will return to St. Louis to work in neighborhood redevelopment.

The selected recipient will be a student in residence in Columbia from August 25, 1980, through August, 1981, and will receive either a master's degree or a diploma in community development from the community development department.

"Our purpose in establishing this fellowship," says Donald N. Brandin, the bank's chairman/CEO, "is to couple an educational opportunity with our desire to help provide community leadership in our neighborhoods in St. Louis. We at Boatmen's are committed not only to help revitalize our neighborhoods as a lending institution, but to help provide the concern and expertise so necessary for successful renovation and rehabilitation."

Community Action Grant Named for Finley Vinson

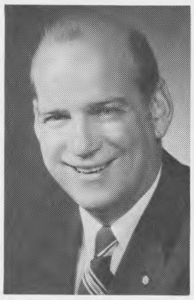
An annual grant of up to $10,000 has been established by First National, Little Rock, to help a community-action organization that proposes a new and innovative way to help solve a community problem.

The grant is named after B. Finley Vinson, the bank's vice chairman. Its purpose is to recognize Mr. Vinson's dedication to community involvement and to provide an incentive to community organizations to present creative answers to the needs of central Arkansas.

Grant applications can be submitted to the bank until October 1. A select committee of bank people will review the applications and announce a winner in November, with funds to be made available in January.

Excluded from consideration are annual fund-raising campaigns, support of general operating budgets, capital building projects unless directly related to the ultimate success of a specific project, endowments, grants to individuals, scholarships or fellowships directly or indirectly benefitting individual students and organizations whose project orientation is outside Pulaski County.

The Case for Interstate Banking



By Frederick Deane Jr.*
Immediate Past Chairman
Association of Bank Holding Companies

THE ULTIMATE SHAPE of a new banking system will be determined in large part by the pressures that make it necessary. These can be grouped under broad categories: competitive, economic, technological and regulatory pressures.

Competitive pressures have created a push-pull situation regarding interstate banking. "Push" pressures come from *within* the banking system. While interstate banking exists in almost every area of banking on the asset side of the balance sheet, it is largely prohibited on the deposit or liability side. This prohibition stems from the McFadden Act of 1927 and was largely upheld in the Bank Holding Company Act of 1958. In simple terms, the two statutes say that a commercial bank may not operate a deposit-taking office in other than its home state, unless it was doing so in 1927 — and few were; and a bank holding company may not operate a bank in a state other than that in which it does its principal business unless it was doing so in 1956 — and few were. The result is that for the overwhelming majority of banking organizations, the liability side of the banking business is restricted to one state.

However, to be strong, interstate-banking operations ultimately must have a deposit base comparable to their lending operations. Some cracks already have appeared in the wall. On the wholesale side, bigger banks already gather deposits across state lines through large-denomination CDs; and, on the retail level, operations are contemplated, although success is by no means yet assured. For example, Citibank has a plan to utilize its national credit-card base as a liability-gathering mechanism. The bank holding company movement, particularly through its 4c8 activities in the bank-related field, has eliminated virtually every constraint on statewide and interstate banking except the deposit-gathering function.

"Pull" pressures come from intensifying competition *outside* the banking system. The underlined message of *HR 4986* was to foster the banking and thrift industry's transitions to competitive equality, especially with respect to near-bank competitors. This is the "level-playing-field" concept.

Among nonbank financial competitors, we must mention credit unions. These institutions enjoy increasing interstate activity, not just in terms of dollars or offices but through enlargement of the "common-bond" concept above and beyond employment consideration. Both trends make a mockery of geographic constraints.

Foreign banks also exert a powerful force on the coming of interstate banking. Their competitive advantages include: great freedom to operate on an interstate basis, particularly through "grandfathered" operations; lower rates on credit due to different reserve or capital constraints and exemption from Community Reinvestment Act requirements. While in the past their activities have been confined mainly to money centers and large corporate customers, not surprisingly, they are now displaying interest in regional markets and middle-market customers.

Other nonbank financial and retail institutions that operate nationwide in a quasi-banking role include retailers, finance companies and brokers.

We require the same freedom on the liability side to meet our competition that we indirectly have on the asset side. In a recent speech, Citicorp chairman Walter Wriston offered these blunt but realistic comments: "Banks cannot be sheltered from competition; they can only be banned from participating in it . . . and if we do not participate, we are finished as financial intermediaries. . . . The question as we enter the 1980s is not how many people will climb over our wall into our market, but whether we will allow ourselves to climb over it and out into the sunshine where the customers are."

Two final trends under the broad heading of competitive pressures should be cited: First, the concept of reciprocal bank holding company agreements between states still is alive although it has never been implemented. It could become a reality anytime.

Second, support from small banks for interstate banking is considered more likely than in the past as they consider merger as a means of obtaining a decent price for their stock and then begin to consider interstate holding-company affiliation where intrastate options are limited.

Economic Pressures. There is one dominant economic pressure: *inflation* and its impact on financial institution earnings and credit-allocation procedures.

Inflation forces have focused far more attention on economies of scale, expense control and balance-sheet priorities. High interest rates plus deposit losses have caused severe problems for some banks and thrifts. Already, we have seen a sharp rise in S&L and savings-bank mergers. Whereas in the past, consolidations and mergers were restricted within states and only among like institutions, in the future state lines may have to be crossed and consolidations approved between banks and thrifts because of

(Continued on page 56)

**Mr. Deane is chairman, Bank of Virginia Co., Richmond. This article is based on remarks given by Mr. Deane at the recent annual meeting of the Association of Bank Holding Companies.*

The Case Against Interstate Banking

By Thomas F. Bolger*
President
Independent Bankers
Assn. of America

THE witness had just testified in the trial of the young man on a charge of murder. The Cass County courtroom was in Beardstown on the Illinois river.

"I saw him do it by the light of the moon," the witness declared.

Counsel for the defense, Abraham Lincoln, leaped to an almanac on the wall and poked his finger at the date.

"Your honor, there was no moon that evening, and the witness lies." Acquittal followed, based on the evidence.

As an Illinois citizen, I cite that incident to prove the need to examine proposals for concentration of bank deposits and loan powers. Experience in other states strongly reveals that monopoly is the real destination of so-called convenience-banking proposals. Exhortations to bulldoze away state boundary barriers to interstate banking are predicated on indications that are ephemeral as the imaginary clothing the Chinese tailors produced for their emperor.

Large-size multi-bank holding companies manifest a floodwater characteristic: the impulse to shove out on every side and sprawl all over the landscape.

Two giant Minneapolis-based HCs, whose rampaging directly inspired the organization of the Independent Bankers Association of America (IBAA) 50 years ago, have demonstrated how to concentrate banking resources in a state hundreds of miles distant.

The Minneapolis *Star* edition of June 10, 1980, reported increased resentment in Montana over what Governor Thomas Judge calls "an unholy alliance of outside corporations that Montana must defend itself against."

Two are Minnesota banking corporations: One, First Bank System, owns 17 Montana banks with deposits of more than $1 billion, including the state's largest bank in Billings, and Montana banks led First Bank System in profit increases last year, reporting a 21% increase in earnings. The other, Northwest Bancorp., owns seven Montana banks with deposits of more than a half-billion dollars.

"When two Minnesota corporations can control $2 billion of Montana bank deposits, that is an example of one state exploiting another," the Montana official said.

We believe the McFadden Act of 1927 and the Douglas Amendment have been beneficial in restricting interstate banking.

Proponents of interstate banking contend that McFadden protects a large number of small institutions by anti-competitive restraints on geographic expansion leading to market monopolies and also that anxiety about bigness and inordinate concentration has been a major obstacle to interstate banking. We believe that protecting smaller institutions from predatory large ones is a recognizable American fairness practice and does not necessarily lead to undue control of markets. And we hope and pray that public awareness about bigness and undue concentration continues to be a major barrier in the path of tireless interstate-banking-expansion proponents.

An article in the Federal Reserve Bulletin (January '80) on "The Competitive Effects of Interstate Banking" casts helpful light on our road ahead. The article, prepared by Stephen A. Rhoades of the Federal Reserve Board's division of research and statistics, offers careful analysis of Fed staff studies on the impact of bank HCs on competition and performance in the banking markets, a study headed by Mr. Rhoades and Roger D. Rutz.

The article concludes that reduction in restrictions on interstate banking would have an unfavorable effect on banking structures in local markets and is almost certain to increase concentration of commercial banking under existing merger laws.

Careful consideration of the entire problem is warranted because the push for interstate banking in the U. S. banking system is a development that could have profound implications for all facets of the banking system's structure. As the Montana situation indicates, elements of interstate banking already exist, and they are likely to become more pronounced.

Interstate banking is of special interest now because the International Banking Act of 1978 directed the President, in consultation with regulatory agencies, to evaluate the restriction on interstate banking in the McFadden Act. The President may send recommendations to Congress, but he is not expected to do so until after the November 4th election.

Underlying the defense of McFadden and the opposition to interstate branching is the concentration issue. Evidence is clear that statewide branching has resulted in relatively high levels of concentration in both statewide and SMSA (standard metropolitan statistical area) markets. Statewide concentration in 1975 was highest in statewide branching states. In 13 of 20 statewide branching states, the five largest banks controlled more than 70% of each state's commercial-bank deposits. By contrast, the five largest banks in only five of the limited branching states controlled as much as 50% to 65% of deposits, and in only three of the 15 unit-banking states did the five largest banks control as much as 53% to 56% of deposits.

When concentration in banking is measured at the SMSA level, the impact of statewide branching is magnified further. In 1978, the five largest

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**Mr. Bolger is president, McHenry (Ill.) State, and prepared this article especially for* MID-CONTINENT BANKER.

banks in 64 of 68 SMSAs in statewide branching states controlled 70% or more of the states' deposits.

On the other hand, the five largest banks in 94 of the 132 SMSAs in limited-branching states controlled 70% or more of the states' deposits. The lowest level of concentration was found in the unit-banking states, where the five largest banks in only 29 of the 59 SMSAs controlled 70% or more of the states' deposits.

High levels of concentration of financial resources reduce competition. Statewide dominance by a few large institutions restricts the ability of small local institutions to be responsive to community needs and threatens ruinous overextension by aggressive dominant institutions.

Statewide and limited branching laws have caused almost 1,000 unit banks to disappear in 20 years, a decline of 16%, while total number of banks increased by 10%. Sharpest reduction in number of unit banks occurred in states permitting statewide branching, where 42% of the unit banks have disappeared.

In limited branching states, the 39% decline in unit banks is only slightly below that for statewide branching states. Only in unit-banking states has the attrition rate been lowest, registering a decline of only 15% over the 20-year period.

Structural effects of a shift from limited to statewide branching is dramatically illustrated by the experience of the state of Virginia, which went to statewide branching and holding-company acquisitions after 1961. In the 20-year period 1959 to 1978, Virginia lost 134 of its 207 unit banks, and at the end of 1978, only 73 unit banks remained. Although banking offices (banks and branches) increased by 180%, the number of banking firms declined by 15%. Thus, while the number of offices offering commercial-banking services almost tripled, the number of banking alternatives available to citizens of Virginia was reduced by 15%.

Effect of statewide branching on banking structure also is illustrated by the experience of North Carolina, which has long had statewide branching and no limit on acquisition of banks by multibank HCs. In 20 years from 1959 to 1978, that state lost all but 17 of the 100 unit banks it had in 1959. While banks and branch offices increased fourfold in number, the total of banking firms in North Carolina dropped 55%.

Lewis I. Markus, Washington, D. C. staff economist of the IBAA, calls attention to a study of the effects of bank-market power and the competitive structure of local markets. It found that the more concentrated the market, the more likely the prices charged for demand-deposit and business-loan services will be higher. This study, "Commercial-Bank Pricing and Local Market Power and Structure," is an FDIC Working Paper (75-3) by Alan S. McCall and H. D. Merrill.

There have been a number of studies of the relationship between concentration and various measures of bank performance, such as prices charged for one or more of the "products" banks offer.

"Interstate banking is of special interest now because the International Banking Act of 1978 directed the President, in consultation with regulatory agencies, to evaluate the restriction on interstate banking in the McFadden Act. The President may send recommendations to Congress, but he is not expected to do so until after the November 4th election."

Typical findings have been that higher concentration in local markets is associated with higher interest rates on business loans, consumer loans and mortgages and lower interest rates paid on time and savings deposits. (This from Bernard Schull, "Multiple Office Banking and Competition: A Review of the Literature: in *Compendium of Issues Relating to Branching by Financial Institutions,* Subcommittee on Financial Institutions, Senate Banking, Housing and Urban Affairs Committee, Oct. 1976, 94th Congress, 2nd Session, P. 148).

Evidence suggests that, from a consumer viewpoint, statewide branching has not been to the direct advantage of the consumer. In California, it was found that larger statewide branching banks without exception charged significantly higher rates than smaller banks. It also was shown that the largest California banks charge 2% or more on comparable consumer loans than rates charged by the smallest banks.

One reason large branch banks must charge more for their services is their practice of preemption: They tend to obtain approval of branch locations in a new or growing area before the sites would justify an independent bank, and they hold on to such potentially profitable locations for a long time until they reach black-ink stage.

Proliferation of branch offices is a socially wasteful form of competition in banking, according to the president of the Federal Reserve Bank of Boston. From 1957 to 1977, the number of commercial banks in the United States grew by about 6%, but the number of branches more than quadrupled from about 8,000 to more than 32,000. While the country admittedly grew during those years, quadrupling of branches reflects an uneconomic form of competition.

This viewpoint was reflected by Robert E. Barnett, FDIC chairman, in a 1977 speech before the New York State Bankers Association when he charged banks with wasteful competition for deposits by putting branches on every corner to compete on the basis of convenience rather than price.

The simple unvarnished truth of the matter is this: Studies support the contention that branch banking provides more banking offices than unit banking, but the advantage of greater convenience through branching appears clearly to be limited to municipalities and metropolitan areas with populations above 7,500.

In small towns and villages — those usually expected and purported to benefit most from expanded branching — the average number of banking offices differs little between branching and unit banking states. ● ●

Deane

(Continued from page 54)

the nature and magnitude of the problem. With the recent rapid drop in interest rates, the pressure has abated, but only an extreme optimist would predict that the problems will not reoccur. Whether these mergers take place, the important point is that regulatory authorities seem to have accepted the principle of interstate banking. Again, this is a mixed blessing; we do not want to get interstate banking just as a crisis mechanism with built-in limitations.

Finally, economic pressures are generated by a message from the consumer that comes through loud and clear: He wants one-stop convenience; he does not care about the difference between banks and thrifts, or between depository institutions and Merrill Lynch or between money-market cer-

tificates and money-market funds; he does want the "bank" that can give him the best rates and the best deal *close by;* and he votes with his dollars to get these things. Hence, we have had massive disintermediation and upward churning in the cost of core deposits.

Technological Pressures. Technology virtually has eliminated time and space barriers as it affects delivery of all types of financial services. Locational concepts from "horse-and-buggy days" are anachronisms in a world of satellite communications. Technology should be viewed as a "liberating force" — particularly with respect to the deposit-gathering function. The National Commission on Electronic Funds Transfer recommended that electronic applications not be limited by state lines. This position was seconded also by several House Banking Committee staff studies.

In the past decade we saw at least one technological change with great repercussions: evolution of credit cards as plastic branches. In the future, we will see telephone banking and TV banking through at-home computer terminals. The McFadden Act cannot stop people from having access to their entire trading area.

One word of warning is appropriate here. It appears that time and technology may be working in favor of money-center banks and near-banks and *against* regional institutions. This needs to be kept in mind as we mold the interstate-banking structure of the future.

Regulatory pressures. Crucial changes already have taken place in the regulatory area with far-reaching implications for interstate banking. There is the pro-competitive posture defined in HR 4986; preemption of state usury laws; authority for thrifts to expand their activities outside the mortgage market and phase-out of Regulation Q. There also are signs of a pro-competitive stance regarding institutional distinctions. A few instances are: the obvious trend toward elimination of the differential; transaction accounts for all depository institutions; authorization of variable rate-flexible maturity mortgages and enlargement of secondary-market operations.

In other business areas, such as trucking, airlines and possibly railroads, pro-competitive deregulation is in the wind.

These examples reflect two fundamental alterations in regulatory philosophy. *First*, we see a transition to decision-making in Washington and away from a sharing of the decision-making power between federal and state authorities. This trend is a "plus" as long as it reflects a pro-competitive posture that is performance oriented. *Second*, performance by the banking community is a new yardstick for regulators. No longer can banks rest on the three Ss, being "small, safe and supervised." Now government authorities seem willing for banks to compete on equal terms for all types of customers in a broad array of services. But they must do it the government's way. This means satisfying national public-policy objectives that may involve a trade-off, depending on type of policies and cost of compliance.

Barriers, Roadblocks, Etc. The journey to interstate banking bristles with legal barriers, roadblocks defended by a variety of special interest shock-troops, stumbling stones and land mines placed by competitors. Among key battles that must be fought and won, the most important is overturning the "McFadden philosophy." As a national policy, it is all but chiseled in stone.

On purely banking grounds, it is not difficult to challenge McFadden or, for that matter, Glass-Steagall. On political grounds, however, McFadden and the Douglas Amendment are seen as protecting states rights, and this is the prop of the time-honored dual-banking system. In addition, McFadden is seen as protecting smaller institutions and communities they serve from the voracious appetites of larger institutions per se and urban-oriented institutions. Incidentally, this urban-rural dimension should not be taken lightly. Its representatives will challenge any set of changes — banking or otherwise — seen as diminishing their power base.

Another aspect of "McFadden philosophy" is the structure it has created over time. That is, the huge number of smaller institutions that are protected by anti-competitive restraints on geographic expansion and product extension. In many instances, this has led to market monopolies, and, rightly or wrongly, battles will be fought to preserve them.

Near-bank competitors such as Merrill Lynch and the retailers will erect their roadblocks to interstate banking, and why not? They can operate now on a national basis with minimal regulatory constraints on either their credit-allocation or fund-acquisition activities. Will they support or snipe at our push to establish a level playing field? A clue to the answer can be found in views of most brokerage firms on the Glass-Steagall Act, which separates commercial and investment banking.

Another obstacle to interstate banking is the consumer movement and allied legislative-regulatory protectors concerned with bigness per se and big banking in particular. They fear what they recognize as "undue concentrations of economic power within the private sector." This battle is as old as our nation and may require compromises before it is won. Some likely proposals are: limitation on interlocking directorates; restrictions or ceilings on assets or deposit concentrations within a particular state or geographic market and stringent compliance requirements with respect to in-state loan-deposit activities; minority lending and employment; small business lending, etc. (These or others like them may be unpalatable concepts, but it is best to be forewarned.)

Specialized lenders comfortable with the status quo will erect barriers to interstate banking. They simply do not want to see institutional distinctions blur, no matter how many extra powers they are granted. They prefer to continue doing what they do now.

The last roadblock will come from an unlikely source — my own organization and any number of other regional organizations that must insist on an *orderly transition* into the future. We don't want McFadden or Douglas eliminated overnight; hopefully, no one wants that kind of chaos.

What will the world of interstate banking look like when it arrives? Who will the players be, and how will they play?

Interstate-Banking Profile. First, economic realities may well cause a sharp decline over the next decade in the absolute number of commercial banks and thrift institutions and number of "brick-and-mortar" offices. But interstate banking itself will not cause this decline; in fact, it will facilitate a more orderly consolidation and restructuring of the financial-services industry. Because national public policy will not countenance widespread financial-institution closings or failures, it will employ institutional restructuring in interstate banking as a method for integrating the weak and the strong. With this perspective in mind, it is possible to sketch the outlines of tomorrow's "playing field."

Banks will be able to operate in a *natural trading area* suitable to the size, operational capacity, managerial and professional abilities and capital structure of each particular type bank. They will have the ability to extend a full range of credit and related financial services and the ability to purchase any type of funds. Within this broad marketplace, banks or regional bank HCs

must position themselves in a realistic manner so that they can carefully identify appropriate customer segments.

How is this accomplished? It makes sense to utilize existing loan production offices or bank-related subsidiaries within a natural trading area to provide deposit and other fund-acquisition services. A minimum of *de novo* activity may be needed and some downstream mergers and consolidations with smaller commercial banks and thrifts (including finance companies). In addition, some mergers and consolidations may take place "among equals," probably in contiguous states. To round out its ability to provide a wide range of services to all sizes of customers, a regional banking organization will want to develop and maintain a presence in certain markets outside its natural trading area, such as New York City, Chicago, San Francisco or Atlanta. Finally, since foreign banks are at our doorstep, we must operate overseas and be on their doorsteps.

Exactly which types of institutions will be involved in interstate banking? The full-service players will include traditional depository institutions, foreign banks, "near-banks" like Sears, Merrill Lynch and Beneficial Finance and some unexpected intruders such as AT&T, IBM and RCA, which will become involved in financial services through fee-based information communications. Some of these "financial supermarkets" will result from mergers between commercial banks and thrifts. A handful of banking organizations will become truly national banks — Chase, Citibank, Bank of America and a few others. Lastly, this scenario does not preclude a continuing and successful role for smaller financial institutions. There may not be as many independent ones as there are today, but the well-managed and aggressive smaller institutions will adopt, on a smaller scale, strategies similar to those being pursued by the regional HCs.

Conclusion Interstate banking is coming. Issues that remain to be thrashed out involve timing and structure. To succeed, interstate banking must be implemented on a creative, yet prudent basis. Among the options are:

1. Reciprocity or mutual agreements between states.

2. Failing-bank acquisitions approved by federal and state authorities.

3. Trade-area banking, acquisitions and branching within natural trading areas such as SMSAs. A variation of this approach might be specifically delineated markets, such as major money centers, which would be "free trade areas" open to deposit-gathering competition among domiciled banks, interstate competitors and foreign-chartered banks.

4. Demarcated geographic regions, permitting interstate banking within, for example, a Fed district.

5. Contiguous-state banking, limiting a bank's range, at least initially, to adjoining states.

6. Nationwide banking, or simply throwing open the doors to unconstrained competition — both through acquisition and *de novo* applications — and let the chips fall where they may.

In considering these and other options, there are three subordinate matters to weigh carefully. First is *timing*. Do we need a phase-in period? If so, just how long? Second is *extent*. Do we limit the number of acquisitions consummated by any single banking organization? What's the limit? Moreover, do we "cap" these organizations in terms of size? A third concern involves types of institutions taking part. Do we authorize mergers of banks and nonbank financial institutions? If so, what will be the necessary constraint?

On the basis of the vote reported at its 1980 annual meeting, the Association of Bank Holding Companies feels that the best way to remedy the current situation and, at the same time, preserve our present regulatory structure and the dual-banking system, is through the structure of the bank holding company, which has been well accepted by the public over many years. The experience of five of our member companies in operating affiliated banks across state lines, in some cases for more than 50 years, demonstrates that such interstate-banking operations can be pro-competitive and in the public interest.

Our position is one that provides for a carefully controlled and gradual approach. Our four simple proposals are:

1. Endorsement of legislation to grant to the Federal Reserve Board authority to approve "failing-bank" acquisitions by out-of-state bank HCs.

2. Support for the concept of mergers between bank HCs and thrift institutions in financial difficulties.

3. An amendment to Section 3(D) of the Bank Holding Company Act permitting a holding company, subject to Fed approval, to acquire a bank HC in a contiguous state, *provided that* no bank HC with more than $500 million in assets be permitted to acquire more than one bank HC in each contiguous state during the first five years of the new law.

4. Endorsement of reciprocal arrangements between states.

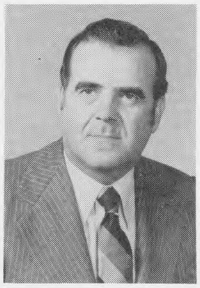
There is an important need for a fair, reasonable discussion of interstate banking and our association's position may not necessarily be the ultimate answer. However, if we are to survive in the next century, we must leave fortress banking and "move into the sunshine . . . where the customers are," as Walter Wriston put it. The association's position on interstate banking is one important step in that direction. ● ●

Bank Subsidizes Bus Fares

Citizens Fidelity Corp., Louisville, has more than tripled its subsidy program of public transportation fares for its employees. Effective in June, employees of Citizens Fidelity Bank were eligible for a 33% discount on their purchases of bus tickets. To further increase ridership, the bank offered two weeks worth of tickets free to any employee who was willing to try public transportation for the first time.

Employees buying subsidized bus tickets for the first three weeks of the new program were eligible to win a microwave oven and two 10-speed bikes.


NADLER


GUNDERSON


COLE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CARDWELL

Nadler, Gunderson Set for KBA Convention

PAUL NADLER, Lee Gunderson and Ken Guenther head the list of speakers for the 86th annual Kentucky Bankers Association convention, set for Louisville from September 7 to 9. Convention headquarters will be the Galt House.

Mr. Nadler is professor of business administration, Rutgers University, New Brunswick, N. J. Mr. Gunderson is ABA president-elect and president, Bank of Osceola, Wis. Mr. Guenther is associate director, Independent Bankers Association of America.

Highlights of the convention will include a luncheon to honor winners of the 1980 PhilipMorris community service contest. The speaker at the annual banquet will be James Boren.

Convention registration is expected to start at 1 p.m. and continue until 6 p.m. on Sunday, September 7, in the third-floor lobby at the Galt House. The resolutions committee is expected to meet that afternoon and the traditional Sunday evening reception is expected to begin at 6 p.m.

Monday's activities will include a breakfast meeting of the KBA nominating committee, registration beginning at 8:30 a.m. and the first general business session at 9 a.m. The Kentucky luncheon and separate dinners for 50-year Club members and past presidents will complete the day's events.

An annual breakfast on Tuesday will be followed by a program of remembrance and the second general business session.

Tuesday evening's events will begin with a pre-banquet reception followed by a banquet that will include installation of officers and entertainment.

Presiding at this year's convention will be KBA President Vernon J. Cole, chairman/president, Guaranty Deposit Bank, Cumberland. In addition, Mr. Cole is executive vice president, Harlan National, which he joined in 1949. He was a member of the U. S. Air Force from 1951 to 1958 and reentered banking in 1958 at Harlan National, where he became executive vice president in 1972.

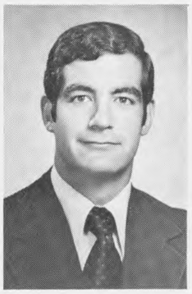
Scheduled to assume the KBA presidency at the convention is Joe Stacy, president, Bank of the Mountains, West Liberty. His banking career began in 1945 when he joined Commercial Bank, West Liberty. He left that bank in 1969 as its president and has been president of Bank of the Mountains since 1973. He served two terms in the Kentucky Senate, where he was majority whip for two years and majority caucus chairman for four years.

KBA treasurer this year is Emery E. Cardwell, president, Morgantown Deposit Bank. He entered banking in 1938 at Matewan (W. Va.) National and joined Potter-Matlock Trust Co., Bowling Green, Ky., in 1947 as trust officer. He was promoted to cashier in 1952 and vice president in 1957. The bank merged with American National in 1958 and he was named vice president of that bank and executive vice president in 1969. He joined Bank of Oldham County, LaGrange, in 1971 and was named to his present post at Morgantown Deposit in 1972. • •

Gunderson, Golembe, Isaac to Speak At AMBI Annual Meeting in Chicago

LEE GUNDERSON, Carter Golembe and William D. Isaac will share the spotlight with a number of other speakers at the 1980 annual meeting of the Association for Modern Banking in Illinois (AMBI) September 8-9. Headquarters will be the Continental Plaza Hotel, Chicago. Theme of this year's convention is "Banking Challenges in the New Decade."

Mr. Gunderson, who is ABA-president-elect and president, Bank of Osceola, Wis., will open the meeting at a noon luncheon on September 8. Mr. Golembe, chairman, Golembe & Associates, Washington, D. C., will appear during the second day of the meeting and will discuss how politics and legislation will affect banks. Mr. Isaac, who is a director of the FDIC, will follow Mr. Golembe on the program, discussing how deregulation will affect banks.



ISAAC

GUNDERSON

ANDERSEN

GOLEMBE

Also on the speakers' platform will be William C. Harris, commissioner of banks and trust companies for Illinois, who will give a report on the state of Illinois banking; two state legislators who are sponsors of HB 1299 — the multi-bank HC bill that almost passed this year — Jim McPike and George E. Sangmeister, who will speak out about the multi-bank HC situation; Walter D. Fackler, professor of economics at the Graduate School of Business, University of Chicago, whose topic is "Managing in a New Economic Environment."

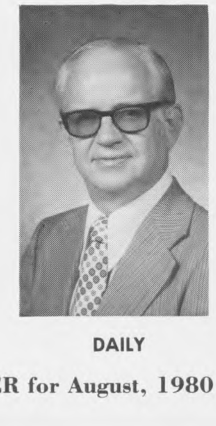
Jon C. Poppen, senior vice president, Booz, Allen & Hamilton, Chicago, will discuss planning for changing bank markets; John L. Stephens, executive vice president, Harris Trust, Chicago, will speak on "Management's Greatest Challenge — People"; and David G. Taylor, executive vice president/treasurer, Continental Illinois Corp., and executive vice president, Continental Illinois National, Chicago, will discuss profitable asset/liability management.

The AMBI business meeting will be held on the afternoon of September 8 and will feature a leadership report by Theodore H. Roberts, chairman of AMBI and executive vice president, Harris Trust, assisted by AMBI President James B. Watt. The business meeting also will include a report by the treasurer, Willard Bunn III, executive vice president, Springfield Marine Bank; a legislative report by William D. Olson, vice president/government relations, AMBI; a report by David E. Connor, chairman, AMBI/PAC, and president, Commercial National, Peoria; and a nominating committee report by Loren E. Smith, committee chairman, and chairman, United Bank of Illinois, Rockford.

Social events will include a Loop bank reception on the evening of September 8, sponsored by Continental Bank, First Chicago Corp., Harris Trust, Northern Trust and LaSalle National; and a reception and banquet featuring the Arbors on Tuesday evening.

Mr. Roberts, AMBI chairman, began his banking career with Harris Trust in 1953, serving in the financial and economic research department until 1967, when he was named comptroller and a member of the management committee. He was elected

BUNN



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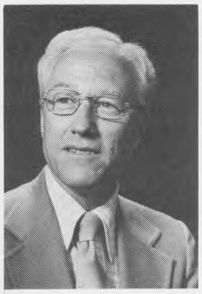

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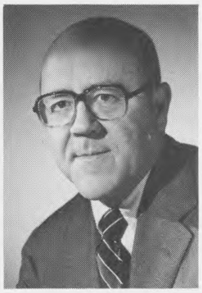


ROBERTS

senior vice president in 1968, executive vice president/secretary in 1971 and executive vice president, secretary and treasurer of Harris Bankcorp, also in 1971. He is president, Harriscorp Finance, the HC subsidiary that operates the Money Stores.

AMBI Second Vice Chairman Charles L. Daily is chairman, MidAmerica Bank of Edgemont, East St. Louis, and four other banks in the area. He entered banking with United Bank, St. Louis, in 1945 and has been with Mendon (Ill.) State; the St. Louis Fed; Security Trust, Lexington, Ky.; and the forerunner of his present bank, Edgemont Bank.

AMBI Vice Chairman James E. Forster joined DeKalb Bank nine years ago as president. For 28 years before that, he was associated with DeKalb Ag Research.

AMBI Treasurer Willard Bunn III joined Chemical Bank, New York City, in 1968 and has been with Springfield Marine since 1978.

John A. Andersen, AMBI secretary, joined First National, Lake Forest, in 1957, was elected a vice president in 1966, executive vice president in 1972, president/chief operating officer in 1976 and CEO in 1977. ● ●

Loans, Bond Financing Offered by Bank in Ill.

City National, Rockford, Ill., is offering low-interest loans designed to assist merchants and landowners in the Broadway Business District Redevelopment Program to rehabilitate their businesses and properties.

The program, called "10/10 Program," offers loans at 10% simple interest with monthly payments up to 10 years.

The bank has pledged to purchase the district's $300,000 bond issue that will help finance demolition of existing pavement and sidewalks along a three block stretch of Broadway, preliminary to laying a new blacktop roadway, curbs, gutters and sidewalks and installing lighting. The finished area will be a mini-mall.

Now Account Profit Workshops At Mo. Regionals

NOW ACCOUNTS will occupy center stage at this year's regional meetings for members of the Missouri Bankers Association. Each of the eight meetings, held from September 8-18, will feature three-hour NOW account profitability workshops presented by Carl C. Nielsen, chairman, Department of Administration, Wichita State University

The traditional afternoon business sessions will not be held this year. Instead, short business sessions to elect officers will be held in conjunction with the regional banquets.

"Financial Planning for Profitable NOW Accounts" is the title of Mr. Nielsen's presentation. Banks can send any number of people to the workshops, which will have a separate registration form and fee from the evening banquet programs. Workshop fee will be $25 per person and one copy of the course workbook will be included for each bank registering. Additional copies of the workbook will be available at $20 each and can be ordered on the registration form.

The workshops will be presented in two sections. The first will outline the cost of NOW accounts and how to estimate the cost for a specific bank. The second section will deal with protecting a bank's bottom line and what can be done to offset the cost of NOWs.

Official MBA regional meetings will include a social hour, banquet, short business meeting and entertainment by the Terry Family, a group that performs songs popular over the past 80 years.

The first meeting will be held on September 8 at the Crown Center Hotel in Kansas City for members from Region Four. The NOW account workshop will begin at 3 p.m., the social hour at 6 and the banquet at 7.

1980 Regional Calendar

Region 1 — September 11 — Moberly
Region 2 — September 10 — Trenton
Region 3 — September 9 — St. Joseph
Region 4 — September 8 — Kansas City
Region 5 — September 15 — Washington
Region 6 — September 16 — Poplar Bluff
Region 7 — September 17 — Springfield
Region 8 — September 18 — Jefferson City

Region Three's meeting will be September 9 at the Ramada Inn, St. Joseph. The event will begin at 11:30 a.m. with a luncheon, followed by a talk on energy and politics at 12:30 by Dean Phillips, president, Bank of LaBelle. Mr. Phillips also is president, Heetco., Inc.

The NOW account workshop will begin at 1:15 and will be followed by the "awarding of the hat" ceremony at 4:15. The social hour will begin at 4:30 and the banquet will begin at 6:30 p.m.

A women's luncheon program will begin at 12:30 and will feature entertainment by a ventriloquist and a fashion show.

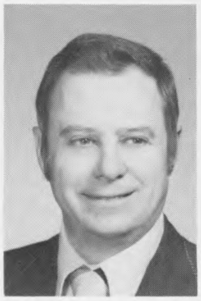
Region Two's meeting will be held September 10 at the Grundy Electric Co-op in Trenton. The NOW account workshop will begin at 3 p.m. and details of the social hour and banquet were not available at press time.

Region One will meet on September 11 at the Crossroads Restaurant at the Moberly Ramada Inn. The NOW account workshop is set to start at 3 p.m. Banquet details will be announced later.

The second week of regionals will begin on September 15, when Region Five meets at the Elks Club in Washington. The NOW account workshop will begin at 3 p.m. The social

Regional Vice Presidents


G. MILLER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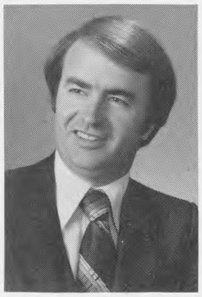
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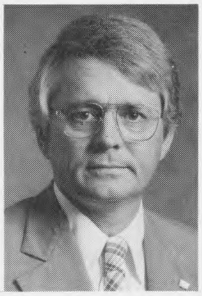
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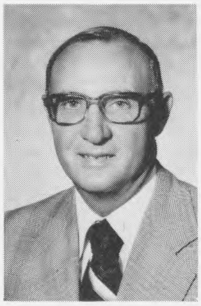

COCHRAN


HIMMELBERG

hour and banquet will be held at 6 p.m. and 7 p.m., respectively, at the City Park Pavillion.

Region Six will meet on September 16 at the Turquoise Room, Holiday Inn, Poplar Bluff. The NOW account workshop will begin at 3 p.m. Banquet details were not available at press time.

All events for the Region Seven meeting on September 17 will be held at Howard Johnson's Motor Lodge in Springfield. The NOW account workshop will begin at 3 p.m., followed by the social hour at 6 and the banquet at 7.

The final regional, for Region Eight, will be held September 18 at the Ramada Inn in Jefferson City. The NOW account workshop will begin at 3 p.m., with the social hour at 6 and the banquet at 7.

Regional Officers. Glenn Miller, executive vice president/cashier, Canton State, is vice president for Region One. He entered banking in 1959 at Canton State and has held his present title since 1973. He is a former president of both the Illiamo Chapter of Bank Administration Institute and the Northeast Missouri Bankers Association.

Region Two vice president is Richard Miller, president, Merchants & Farmers, Salisbury. A photo and biographical information about Mr. Miller were not available at press time.

Donald D. Folks, vice chairman/CEO, Farmers State, St. Joseph, is vice president of Region Three. Mr. Folks entered banking in 1949 at American National, St. Joseph. He joined his present bank in 1977 with his present title. He also serves as vice chairman, Farmers & Merchants State, Dexter, Kan. While with American National, Mr. Folks was in charge of correspondent banking. He serves as a director at banks in Clarksdale, Linneus and Winigan, Mo., and at Everest, Kan.

Vice president of Region Four is James E. Smith, executive vice president, Union State, Clinton. He began his banking career in 1968 at Union National, Springfield. He joined his present bank in 1974 as vice president and has been executive vice president since 1975. Mr. Smith is a contact banker for MBA BancPac, a past chairman of the MBA agriculture committee and Missouri's action banker for the ABA.

Region Five's vice president is T. Charles Bruere IV, president, First State, St. Charles. He joined his bank in 1964 and has been president since 1969. His photo was not available at press time.

James Moser, president, Bank of Poplar Bluff, is vice president of Region Six. He entered banking in 1970 at Citizens Bank, Jonesboro, Ark., and joined Bank of Poplar Bluff in 1974 as executive vice president. He has been president of the bank since 1975. He is a member of the MBA's bank management committee and a former chairman of that committee. He also is a former president of the Semo Chapter of the Bank Administration Institute.

Region Seven's vice president is Roy Cochran, executive vice president, First National, Neosho. He entered banking in 1953 at Norfolk, Neb., and joined his present bank in 1957 as assistant vice president. He has held the title of executive vice president since 1969.

Vice president of Region Eight is R. L. Himmelberg, president, Tri-County Trust, Glasgow, which he joined in 1946. In 1950 he was named treasurer and became president in 1961. ● ●

'Marketing—Banking's Bridge to '80s' Is Theme of BMA's 1980 Convention

THIS YEAR is proving to be an atypical one in banking. It begins a decade that many predict will be the most revolutionary in banking history. The 65th annual convention of the Bank Marketing Association, "Marketing: Banking's Bridge to the '80s," September 14-17 at the San Francisco Hilton, will be especially significant in view of recent and impending changes and may prove to be a prototype for future meetings that educate, inform and motivate professionals in the banking industry.

Issues that impact the largest and smallest banks will be at the forefront of this year's program in an expanded general-session schedule. Nuts-and-bolts marketing also will be offered in a comprehensive schedule of specialized departmental sessions each day.

The convention will feature an impressive lineup of speakers drawn from the financial community and from the business world at large.

- John S. Reed of Citicorp/Citibank, New York, focuses on the future role of electronic banking.
- Kenneth A. Randall, president of the prestigious Conference Board in New York, offers alternative answers to the question, "After Convenience Banking — What?"
- The SRI International consumer research panel from Menlo Park, Calif., (formerly the Stanford Research Institute) analyzes consumer financial decisions and their impact on bank planning.
- Roger D. Blackwell, professor of marketing at Ohio State University, Columbus, describes how American life-styles impact bank marketing.
- William Safire, columnist for the New York *Times*, states his views on the current political scene.
- The *Newsweek* Periscope Panel will comment on national issues of great import to everyone.
- C. C. Hope Jr., ABA president, will emphasize banking's position in today's volatile atmosphere. He is vice chairman, First Union National, Charlotte, N. C.

Many outstanding speakers on the program are from the Midwest.

John V. Egan Jr., vice president/director, corporate communications, Continental Illinois National, Chicago, will discuss "Bank Communications — New Look for the '80s."

James J. Hubbard, president, Hubbard & Associates, Glen Ellyn, Ill., and George M. Morvis, president, Financial Shares Corp., Chicago, will share the podium and the topic, "Preparing Your Bank for the '80s."

Phillip J. Zeller Jr., president/CEO, First National, Junction City, Kan., will discuss the pros and cons of "Advertising — In-House or Through an Agency?"

"High-Performance Marketing in a Community Bank" will be analyzed by Alex Sheshunoff, president, Sheshunoff & Co., Inc., Austin, Tex.

The question, "Will Community Banks Make It Through the '80s?" will be answered by Jack W. Whittle, chairman, Whittle, Raddon, Motley & Hanks, Chicago, and D. W. Neuenschwander, president/chairman/CEO, Medical Center Bank, Houston.

Other midwesterners to be featured at the BMA convention include Jerry S. Wayt, president, Citizens Banking Co., Anderson, Ind., and David Lampl, president, American National, Shawnee, Okla., whose topic will be "Survival: Competing in the '80s." John D. Weissert, president, Peru (Ind.) Trust, will discuss a "Practical Approach to Planning for the Community Bank," and Patrick R. Leigh, president, Southeast Communications, Inc., Lexington, Ky., will offer insight into "Delivery Systems Outside the Home."

Marcy Massie, vice president/national director of marketing, Madison Financial Corp., Nashville, will offer, "Three Ways to Win"; and George A. Rieder, senior vice president, Republic of Texas Corp., Dallas, will offer his thoughts on "Tomorrow's Marketing Environment."

Following is a brief preview of what this year's BMA convention program will include.

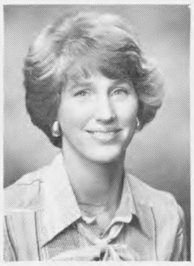
Sunday afternoon offers delegates a chance to view the more than 130 educational exhibits. The exhibit show will open at noon and run until 5 p.m. A reception will follow.

Monday morning's program will lead off with a discussion of issues on every banker's mind, including the

BMA Convention Speakers


HOPE


REED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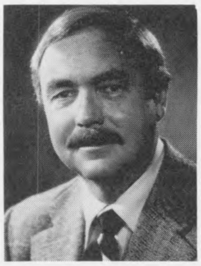
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1020 Saw Mill Run Boulevard, Pittsburgh, Pa. 15220 economic climate and rapid industry changes being experienced by banks large and small.

Following a coffee break, five concurrent departmental sessions will offer specialized presentations segmented by audience interest or group. Topics will include a retrospective look at banking from the year 1989, electronic delivery systems, bank/agency relationships, issues facing community banks and viewing the marketing-planning process.

Then along with lunch, another general session will feature presentation of awards to winners of the Golden Coin and Chapter of the Year and introduce the President's Club (bankers who have recruited five or more new members for the BMA during the year).

The afternoon general session will look at the retail-financial-services marketplace from the customer's perspective and assess the challenges that confront bank planners. This session also will discuss roles of marketing and market research in bank planning.

Tuesday's program will begin at 7:30 a.m. with four one-hour concurrent sessions offering NOW-account-pricing strategies, descriptions of successful marketing programs, marketing planning in community banks and three approaches to profitability.

BMA officers will be installed at the general session on Tuesday, and a presentation by Kenneth Randall will examine specialization, cost containment and electronic banking as future options.

Five diverse departmental sessions will offer a discussion of the task of selling financial services, help in deciding whether to contract advertising through an agency, strategic planning in tomorrow's marketplace, the new look in bank communications and banking from the home.

A two-hour informal lunch in the exhibits area will give delegates a chance to chat with speakers.

The afternoon general session will feature the articulate *Newsweek* Periscope Panel, which will respond to queries from the audience.

Wednesday's dawn-duster sessions will repeat those of the previous day, and the morning general session will focus on changing life-styles and how they impact bank marketing.

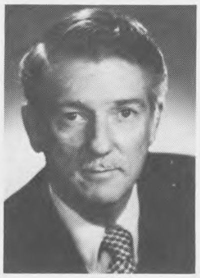
Departmentals for Wednesday will focus on the middle market, five-step planning, '80s marketing strategies, the legislative/regulatory environment and delivery systems outside the home.

A general-session luncheon features William Safire, New York *Times* columnist, who will close the program, and a special premiere of the 1980 Best of TV film will send delegates home with some outstanding advertising ideas.

Spouses of delegates will find a number of special programs awaiting them at the convention. Monday will feature presentations by Carol Ruth Silver, an attorney and supervisor for the city of San Francisco; Robert A. Huret, senior vice president, Bank of California, San Francisco, and Reg Murphy, editor, the San Francisco *Examiner*.

On Tuesday, spouses will take a day-long tour of California wine country, including lunch at Napa Valley's Silverado Country Club. On Wednesday, consultant Ann White will discuss how married couples can balance effectively the demands of family, business and community involvement.

The gala grand finale, shared by spouses and delegates, will feature cabaret performances by the Lettermen. ● ●



POPE

Norwood W. "Red" Pope, v.p./marketing, Sun Banks of Florida, Inc., Orlando, has served as BMA pres. the past year. Recently elected to succeed him is Ronald E. Hale, e.v.p., City Nat'l, Bryan, Tex.

Other top BMA officers for 1980-81 are: 1st v.p., Leonard W. Huck, e.v.p., Valley Nat'l, Phoenix; 2nd v.p., Richard M. Rosenberg, v. ch., Wells Fargo Bank, San Francisco, and treas., James W. Wentling, corporate v.p./marketing, Flagship Banks, Inc., Miami.

The following Mid-Continent-area bankers have been nominated for BMA directors: William M. Fackler, s.v.p./marketing dir., First Nat'l, Birmingham, Ala.; Charles S. Holden, s.v.p., Citizens Nat'l, Dallas; H. Fred Miller, s.v.p./marketing, Citizens Bank, Michigan City, Ind., and Rebecca N. Vaughn, v.p./marketing, Brookhaven (Miss.) Bank.

They will take office during the convention.

Hayes Joins BMA

CHICAGO — Patrick B. Hayes has been named director of the Bank Marketing Association's chapter services department. In his post, he is responsible for the BMA's 16 local and regional chapters, where bankers can share common marketing problems, exchange ideas and benefit from programs tailored to their specific geographical locations.

Before joining the BMA, Mr. Hayes was assistant marketing director, Champaign (Ill.) Nat'l. In addition, he was on the board of the BMA's Central Illinois Chapter, was graduated from the association's Essentials of Bank Marketing course and participated in several of the BMA's conferences and seminars.

Wildflower Print Premiums Offered by Botantical Garden

The Missouri Botantical Garden, St. Louis, in conjunction with the British Museum, London, is offering a series of four-color prints entitled "Wildflowers of North America" as a premium for financial institutions.

The prints, which measure 34x21 inches, illustrate wildflowers in four regions of the U. S. They are the first of a series of 16.

Write: Louis E. Westheimer, Marketing Services, Missouri Botantical Garden, P. O. Box 299, St. Louis, MO 63166.

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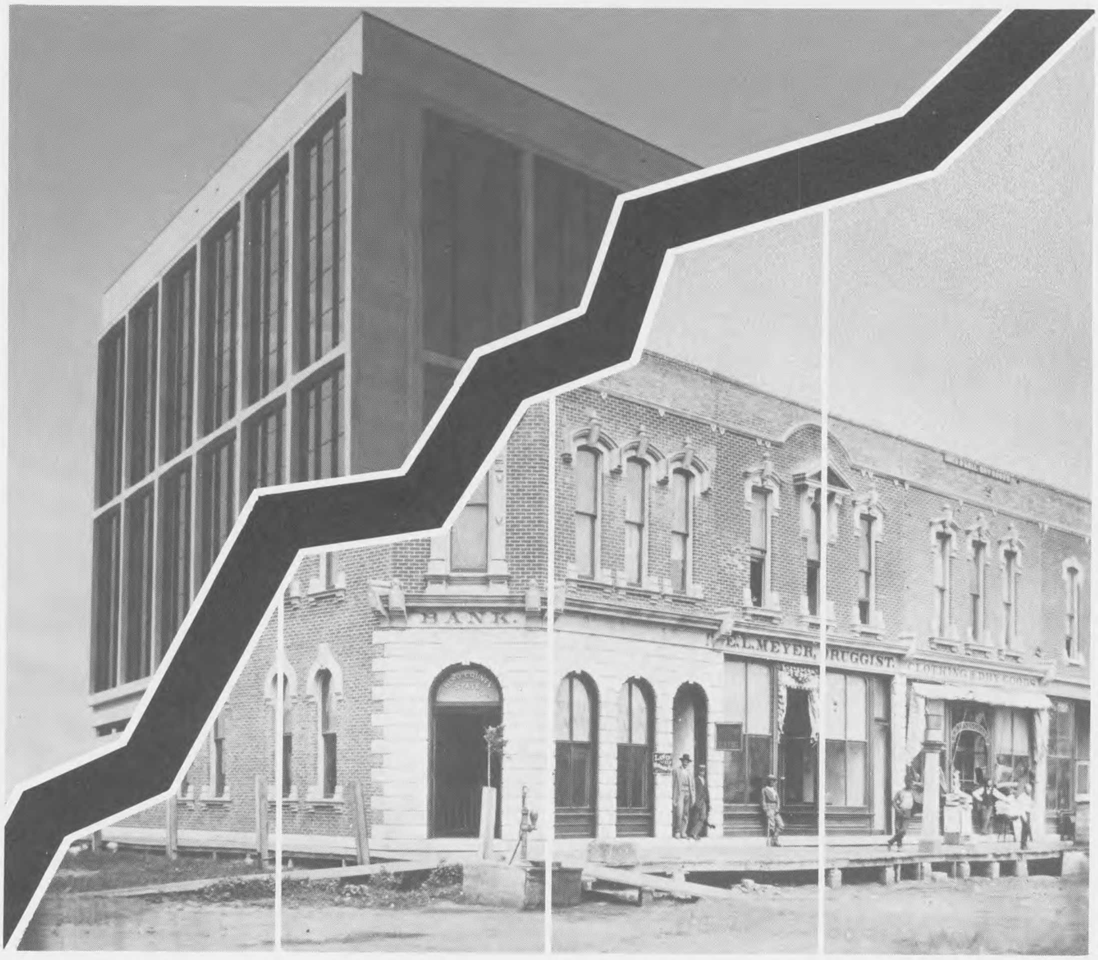

Southwest Kansas and the First National Bank of Hutchinson go back a long way together. We were one of the first banks that began building a new state.

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Varied Program Awaits Kansas Bankers At KBA Regional Meetings This Fall

A VARIETY of topics will be presented to Kansas bankers attending this year's Kansas Bankers Association regional meetings, beginning September 23 in Wichita and concluding October 2 in Topeka.

Three concurrent sessions are scheduled for each of the six meetings.

The program for CEOs will begin with a slide show on bank security, to be followed by a talk by the director, Kansas Bureau of Investigation. The meeting will conclude with a rap session where CEOs can discuss what's on their minds with officers and staff of the KBA.

A session for middle management and supervisors will include a talk on being prepared on personnel administration, a discussion of regulatory and legislative matters and the bank security slide show.

A session for customer-contact staff will begin with a talk entitled "Preventing Bank and Customer Losses" by the director, Kansas Bureau of Investigation, the bank security slide show and a presentation by Harold Stones, KBA director of research, about federal and state governmental changes affecting the future of banking.

First Week

September 23 — Region Four — Wichita — Century II.
September 24 — Region Two — Chanute — Neosho County Community Junior College.
September 25 — Region One — Leavenworth — Ramada Inn & Fort Leavenworth.

Second Week

September 30 — Region Six — Dodge City — Community College.
October 1 — Region Five — Hays — Fort Hays Kansas State University.
October 2 — Region Three — Topeka — Ramada Inn Downtown.

Presiding over the CEO session will be the various regional vice presidents. Regional secretaries will preside at the middle management and supervisors sessions and Ash McNeal, KBA risk manager, will preside at the customer-contact staff sessions.

Each regional will begin at 11:45 a.m. with the country agricultural key banker luncheon. Registration will begin at 1:15 p.m. and the concurrent general sessions will begin at 2 p.m. and continue until 5:15 p.m. The social hour will begin at 5:15 and the banquet at 6:30. The Wichita regional will include a KBA president's breakfast the following morning.

Three banquet speakers are on tap for the regionals. Speaking at the Wichita, Chanute and Leavenworth meetings will be James Blakely. Jeanne Swanner Robertson will speak at Dodge City and Hays and Joe Griffith will speak at the Topeka regional.

Each meeting will conclude with the

presentation of Young Bankers of Kansas PEP awards to outstanding teachers.

Heading the KBA regions this year are: *Region One*, Norman Dawson, president, Manufacturers State, Leavenworth; *Region Two*, Dean Daniel, president, First National, Coffeyville; *Region Three*, Harlin L. Schram, chairman/president, Morrill & Janes Bank, Hiawatha; *Region Four*, William W. Altman, president, Bank of Mid-America, Wichita; *Region Five*, Ronald R. Louden, president, Citizens State, St. Francis; and *Region Six*, James D. Herrington, chairman/president, Coldwater National.

Mr. Dawson entered banking in 1959 at Goodland State. He joined Manufacturers State, Leavenworth, as president in 1962.

Mr. Daniel has been in banking since 1956, when he joined Bank of Oklahoma, Tulsa (then known as National Bank of Tulsa). He moved to First of Coffeyville in 1971 and has been president since that time.

Mr. Schram's first bank was State Bank, Burchard, Neb., which he joined in 1928. He has been president, Morrill & Janes Bank, since 1954.

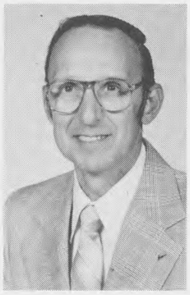
Mr. Altman began his banking career in Wichita in 1956 with First National. He moved to Bank of Mid-America in 1979 as president.

Mr. Louden entered banking in 1963 at American National, St. Joseph, Mo., where he was a vice president. In 1974 he moved to Citizens State, St. Francis, as president.

Mr. Herrington is a one-bank man. He joined his present bank, Coldwater National, in 1951. He was named cashier in 1955, president in 1972 and chairman in 1973. ● ●

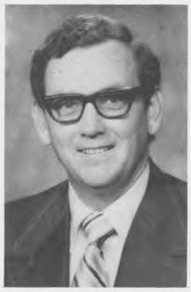
Regional Vice Presidents

LOUDEN

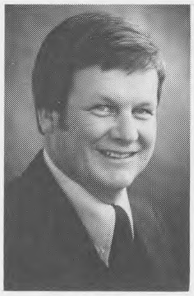


DAWSON

SCHRAM



DANIEL



ALTMAN

HERRINGTON

Kansas BA to Cosponsor Assembly for Directors

The 42nd Assembly for Bank Directors will be held August 30-September 2 at The Broadmoor, Colorado Springs, cosponsored by the Foundation of the Southwestern Graduate School of Banking and the Kansas Bankers Association (KBA).

Co-directors of the assembly are J. Rex Duwe, chairman, Farmers State, Lucas, and Clifford W. Stone, chairman/CEO, Walnut Valley State, El Dorado, both in Kansas. Mr. Duwe is a former president of both the ABA and KBA and Mr. Stone is president-elect of the KBA.

Speakers at the assembly will include H. Joe Selby, senior deputy comptroller for operations, Comptroller of the Currency, Washington, D. C., who will examine "Regulation, Law and the Director," and Lee E. Gunderson, president, Bank of Osceola, Wis., and ABA president-elect, who will evaluate "The Impact of 1980."

Five additional talks will be featured on the program, including "Director-Management Relations and Organization of the Board," "The Changing Competitive Environment" and "Responding to NOWs and FIRA." Special sessions will be held on what bank boards are doing today, impacts of recent legislation and regulation and trust developments.

A program will be conducted for spouses in which commitments and responsibilities of directors will be described and the use of trusts and the functions of banks and the banking system reviewed.

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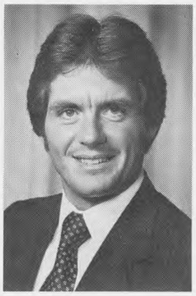
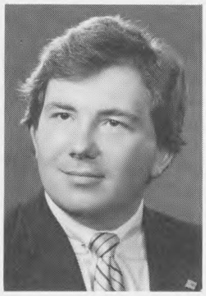
Terry L. Mills has joined Kansas City's Commercial National as correspondent bank representative. He was with a metropolitan Kansas City bank.



KINGRY



MILLS

Lauren Kingry has been promoted from assistant vice president to vice president/correspondent banks, First National, Wichita, which he joined in 1971.

Paul Stephenson, vice president/commercial loans, Fourth National, Wichita, has been elected chairman of the Central Kansas Group of the Missouri Valley Chapter, Robert Morris Associates. Other new group officers are: vice chairman, James Russell, vice president, First National, Hutchinson, and secretary/treasurer, Maurice Linnens, vice president, Wichita State.

C. A. "Bake" Wood, formerly cashier, First National, Chanute, has been promoted to vice president/manager, First National/South. Evelyn Grogran has advanced from assistant cashier to cashier.

Mahlon C. Morley, president, Valley State, Belle Plaine, also has been named chairman. He succeeds the late Fred L. Stunkel, who had been a director of the bank 58 years.

Mark Plaza State, Overland Park, has begun construction on three new drive-up lanes that will give the bank a total of seven lanes by year end. The bank also has plans to install a new bookkeeping system.

Boulevard State, Wichita, has elected Dennis Garton vice president/loan operations. He was previously a commercial loan specialist with the Wichita office of the Small Business Administration and before that was with Fourth National. In other action, the bank has promoted Ronald D. Heikes to assistant cashier/commercial loan officer.

Union National, Wichita, has promoted J. William Foster to senior vice president in charge of the correspondent bank department, William J. Hornung to vice president, Bruce V. McCune to credit and loan review officer and Charlene D. Goeller to assistant trust officer. Mr. Foster joined the bank in 1974 and was formerly president, First National, Hamilton. Mr. Hornung has been with the bank since 1978. Mr. McCune and Miss Goeller both joined the bank in 1979.

KC Fed Pres. Grilled

Kansas City Fed President Roger Guffey faced stiff questioning from a group of local bankers concerned about money, banking and the Fed. But the "bankers" were fifth-grade students involved in a school district program designed to promote understanding of economic concepts at the elementary school level. The program was videotaped for playback among participating area schools.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Criminal Behavior

(Continued from page 8)

have become so complex they felt incapable of keeping up with them. Other bankers may view the regulations as being so complex that the only reasonable action is to avoid them where it is feasible to do so. That is, as regulations become more complex, there is a decided rationalization that this complexity justifies an inadvertent violation of the laws and regulations.

One other aspect is the criminal's association with the organization. That is, a large organization can be robbed or stolen from with less indignation on the part of the general public than a small organization. In most communities, the largest organization is the commercial bank.

Even the nature of being insured today for $100,000 per account may have tilted public attitudes toward the perception that the bank isn't hurt when a white-collar crime or an armed robbery takes place. Stated another way, the rationalization exists that banks are hurt less by crimes than are other institutions.

One other aspect is that what is considered a crime in one instance may be considered a rational practice in another. To illustrate: It's illegal for a national bank to make political contributions. Yet in some states, state-chartered banks may make such contributions, and in many foreign nations it's standard practice for such contributions to be made by financial institutions. It becomes difficult to point out that a national banker would be a criminal in doing certain things while a state-chartered banker might well be able to do the same things with a clear conscience.

Willy Sutton, the bank robber of yesteryear, said he robbed banks "because that's where the money is." This is as true today as it was in his day. Many of our concepts of ethics have been strengthened in recent years. However, in some areas, such as the concept of family life-style, ethics have been progressively weakened.

While bankers should implement rigorous internal controls and establish good auditing practices, probably the most important factor is moral leadership of the bank and the banking industry. That is, spokesmen for the industry and an individual banker's ac-

Duwe Gets AIB Post

LUCAS, KAN. — J. Rex Duwe, former ABA president and chairman, Farmers State here, has been appointed to the newly created post of AIB chairman. The position is part of the institute's new structure, which was approved by AIB chapter delegates at the recent national AIB leaders conference.

As chairman, Mr. Duwe will serve on the AIB executive committee, a policy board that will work closely with AIB state committees and chapters in defining and implementing the AIB's objectives and goals. Other committee members include the AIB president, president-elect and regional vice presidents. Mr. Duwe's term will extend until October, 1981.

Mr. Duwe is chairman of two other Kansas banks, Trader State, Glen Elder, and Sylvan State, Sylvan Grove. He headed the ABA in 1975-76 and the Kansas Bankers Association in 1972-73. At present, he is on the ABA council.

tions must be perceived by subordinates and the public as establishing the proper climate, that banking is perceived to be acting in a socially desirable and ethical way. It's important for bank employees and society as a whole to see that bank leaders are acting in the highest and best interests of society. Good cash management practices are desirable; kiting and playing the float are not. Velocity figures quoted earlier may indicate an exposure of serious dimensions at some major banks.

Use of Bank Wire, the Fed Wire and automated clearinghouses have expedited fund switching. How much higher can velocity figures go? • •

Kansas Bankers Lead Drive To Repeal Parts of FIRA

TOPEKA — The Kansas Bankers Association has formulated a new KBA Regulatory Task Force that will perform an intensive review of the Financial Institutions Regulatory and Interest Rate Control Act (FIRA) and formulate a strategy for the repeal of sections of the act considered to be most detrimental to banks and their customers.

The concept for the task force is the result of a meeting with the Comptroller of the Currency. Comptroller John Heimann indicated at the meeting that he would be agreeable to supporting repeal of portions of the act, but not the entire act, provided bankers would isolate the most objectional, discriminatory and unnecessary portions.

The Colorado and New Mexico Bankers associations have indicated an interest in joining in the project.

Six-Month Money-Mkt. CD Rated Top New Service Of Last Two Decades

What do you think is the most successful new banking service of the past 20 years? It's the six-month money-market CD, according to a survey made by A. J. Wood Research Corp., Philadelphia, of more than 100 marketing personnel at the 300 largest banks. About two dozen new banking services and marketing strategies introduced in the past two decades were rated in terms of both success and importance to the industry.

Ranking close behind the money-market CD are bank credit cards and consumer CDs. Also in the top half dozen are service "packages," negotiable-order-of withdrawal (NOW) accounts and automatic teller machines (ATMs).

What do these top bank marketers consider the least successful of the listed services? Telephone bill paying, with point-of-sale (POS) terminals/debit cards and pre-authorized bill payments faring only slightly better.

Rankings in terms of importance to the industry are similar. The primary difference is that ATMs move to the top of the list. Apparently, says the Wood firm, many bankers see them as the wave of the future.

Bankers in the survey rate scenic checks as the least important innovation among those evaluated. Other services rated unimportant by survey respondents include interest in advance, manual check-guarantee cards and prepackaged travelers checks.

The 16-page paperback report published by A. J. Wood based on the survey also identifies the individual institutions perceived by their peers to be most innovative, briefly discusses the historical pattern of innovation in the banking industry and prescribes for greater innovation in the future.

"Each of the services rated highly on importance," says Robert L. Kramer, Wood's senior vice president/research director, "has, or eventually will, significantly affect consumer banking habits: bank credit cards, ATMs, new savings instruments and direct-deposit services.

"On the other hand, just because a new service is dramatically different does not mean it will be successful. In fact, the opposite generally is true. The more drastic the required change in behavior, the slower and less likely will be the market acceptance of the innovation."

Marketing Tactics of '80s Available in New Book

"Financial Institution Marketing: Strategies in the 1980s" is the title of a new hardback book published by the Consumer Bankers Association. The book explains what marketing leaders foresee for the financial industry in the decade ahead.

Edited by Leonard L. Berry and James H. Donnelly Jr., the book's 18 papers were first presented at a workshop cosponsored by the McIntire School of Commerce, University of Virginia, and the American Marketing Association.

The editors state that, in response to the fundamental changes in today's financial industry, banks and thrifts will find themselves increasingly forced to alter their traditional modes of business. Which banks succeed will depend greatly on what services they offer and how well they reach their potential markets.

Among the book's topics are the changing role and status of financial institution marketing, new technology and its effect on service delivery systems, new approaches to promotion and service offerings and pricing those services.

The book is available at $17.50 per copy from the Consumer Bankers Association, 1725 K Street N.W., Washington, DC 20006.

Reserve Pass-Through Proposals Made by Fed for Correspondents

The Fed in late June proposed procedures for pass-throughs of reserves by correspondents for nonmember banks.

The proposal states that correspondent banks passing balances through must maintain the reserve balances they receive, dollar-for-dollar, with the Fed bank or branch in whose territory the main office of the respondent is located.

A respondent would be able to choose only one correspondent, but it would be able to change the correspondent as long as the Fed is notified of the change.

The correspondent bank would be responsible for maintenance of the correct level of the respondent's reserves in all pass-through arrangements.

Banks maintaining reserve balances on a pass-through basis would be eligible for Fed services provided directly from its local Fed office.

News

About Banks and Bankers

DeROSIER

MITCHELL

Alabama

Earl P. Mitchell has been appointed sales engineer by LeFebure for central Alabama, including Anniston, Tuscaloosa, Selma, Montgomery and Phenix City. He will operate out of the Atlanta branch.

First National, Mobile, has promoted John F. Beard Jr. and William C. Youngstrom to senior vice presidents. Both joined the bank in 1977. Mr. Beard is in the mortgage banking division and Mr. Youngstrom is in the investments division.

Deborah Nelson has been promoted to assistant vice president at Exchange Bank, Attalla. She is a loan officer and joined the bank in 1975.

Arkansas

The St. Louis Fed has approved the application of First Paris Holding Co. to become a bank HC through acquisition of First National, Paris.

Class officers were elected at each of two basic/intermediate banking schools at the University of Arkansas, Little Rock, in June. Session I officers are: president — Linda Springer, First National, Little Rock; vice president — Ed Owens, Simmons First National, Pine Bluff; secretary — Tennie Dale Keeton, First National, Paris; and treasurer — Phillip Young, First National, Wynne. Session II officers are: president — Thomas Carter, First National, Little Rock; vice president — John McFarland, First National, Wynne; secretary — Francine "Sissy" Shane, Union National, Little Rock; and treasurer — Herbert Thomas III, National Bank of Commerce, Pine Bluff.

Illinois

H. Peter DeRosier, vice president, National Boulevard Bank, Chicago, has been named head of the correspondent bank division. He succeeds George Dearborn, who has joined LaPorte (Ind.) Bank as vice chairman and CEO. Mr. DeRosier joined the correspondent division in 1969 as assistant vice president and became vice president in 1977.

National Boulevard Bank, Chicago, has elected Charles B. Melby vice president/legal affairs and promoted James F. Dickerson and Thomas L. Dockweiler to vice presidents. Mr. Melby was formerly counsel at First National, Chicago. Mr. Dickerson joined the bank in 1973; Mr. Dockweiler in 1970.

Harris Trust, Chicago, has elected P. David Hubbard and Robert E. Vanden Bosch senior vice presidents. Mr. Hubbard is group executive in charge of financial consulting, cash management and corporate banking marketing. He joined the bank in 1962. Mr. Vanden Bosch is head of international banking and has been with Harris since 1959.

New AMBI Institute

A one-week Institute of Commercial Lending for Illinois Bankers has been announced by the Association for Modern Banking in Illinois (AMBI) for November 16-21 at the University of Illinois, Champaign. The institute will be held in cooperation with the university and Continental Bank, Chicago.

The curriculum will include lectures, case studies and peer group participation on working capital, structuring loans, relating plant calls to the financial statement, SBA loans, loans to sole proprietors, small leases, agricultural loans, industrial revenue bonds, buy-out and work-out loans, pricing of loans and acquaintanceship with information sources.

Faculty will include Illinois bankers, corporate executives, federal government officials and university professors.

Indiana

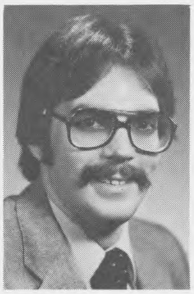
IBA Staff Changes

INDIANAPOLIS — Jan Zigler, secretary, Indiana Bankers Association, since 1967, has been named vice president/member services. Succeeding him as secretary is Wendell C. Hoover, assistant secretary since January.

Mr. Zigler joined the IBA staff in 1959. Before going to the association in 1978, Mr. Hoover was executive director, Indiana Health Care Association.

Robert C. Nelson continues as IBA executive vice president.

Brian J. Palagyi has been appointed sales engineer by LeFebure. He will operate out of the Columbus branch and will serve customers in Richmond in addition to areas in Ohio.



PALAGYI

Kenneth D. Bane has been named executive vice president at Second National, Richmond. He joined the bank in 1956 and was most recently senior vice president and senior loan officer.

David W. Ritchie has been promoted to vice president at Lincoln National, Fort Wayne. He joined the bank in 1967 and is manager, installment loans.

Kentucky

Charles F. Haywood, professor of finance and former dean, College of Business and Economics, University of Kentucky, has been elected to the boards of First National and Kentucky Trust, both in Louisville. He also is being appointed to their parent company, First Kentucky National Corp.

The Fed has approved the application of Exchange Bancshares, Inc., Mayfield, to become a bank HC through acquisition of Exchange Bank, Mayfield.

Louisiana

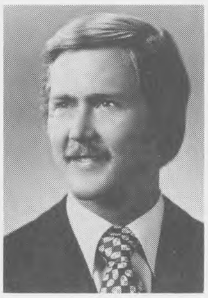
Robert L. Goodwin, chairman/president, Exchange Oil & Gas Corp., has been named a director of Hibernia National and Hibernia Corp., New Orleans.

National American, New Orleans, has elected Peter J. Butler to its board. Mr. Butler is an attorney and CPA and has represented the bank for 15 years.

Liberty Bank, New Orleans, has promoted Rehm T. Winters to senior vice president. He joined the bank in 1974 as vice president and cashier.

Mississippi

Frank C. Allen has resigned as commissioner of banking and consumer finance. He was appointed to the post last March by Governor William Winter as part of a plan to reorganize the department. Mr. Allen said the reorganization had been completed and that "obligations and commitments" make it impossible for him to continue in the post.


STOWE


COERVER

Missouri

Boatmen's National, St. Louis, has elected Jon H. Stowe senior vice president in charge of the commercial and international banking divisions. William F. Goessling and James F. Ittner have been promoted to vice presidents in the trust division. Mr. Stowe was formerly with First Wisconsin National, Milwaukee, where he was head of the metropolitan banking division.

Harrison F. Coerver, vice chairman, Mercantile Bancorp., St. Louis, retired June 30, following 45 years in banking. He continues as a director of the HC. Mr. Coerver's banking career began in 1935 when he joined Mississippi Valley Trust, St. Louis, which merged with Mercantile Trust in 1951. He was elected senior vice president in 1961 and president and director in 1970. From 1971-72 he served as president of Mercantile Trust and Mercantile Bancorp. In 1972 he was named vice chairman of the HC and had been chairman, executive committee, since 1977.

Richard F. Ford, president/chief operating officer, First National, St. Louis, has been elected chairman, Downtown St. Louis, Inc., not-for-profit firm representing the downtown St. Louis business community. In other action, John W. Fricke has been promoted to vice president in First National's bond department. He joined the bank in 1973.

Columbia Union National, Kansas City, will be acquired by First Union Bancorp., St. Louis, when approval of the Fed has been obtained. The agreement calls for an exchange of stock between First Union and Columbia Union Bancshares, Kansas City, parent firm of Columbia Union National.

First National Charter Corp., Kansas City, has announced plans to file with the SEC a registration statement covering a proposed public offering of $25 million of notes due in 1990.

Robert E. Reiter has been promoted to senior vice president at United Missouri Bank, Kansas City. He joined the bank in 1969 and supervises the estate planning division.

David T. Stoecker has been named president, Gravois Bank, St. Louis, succeeding H. S. Dressel, who has been named chairman/CEO. Mr. Stoecker was formerly senior vice president/commercial banking, Mercantile Trust, St. Louis. Oscar L. Crecelius, formerly chairman of Gravois Bank, has been named honorary chairman emeritus.

Thomas J. Albright has been elected vice president, American National, St. Louis. He joined the bank in 1955 and was formerly assistant vice president/commercial loans.

Robert L. Davis has been elected vice president, Bank of Poplar Bluff. He was formerly executive vice president, First National, Poplar Bluff.

Robert H. Buckner has been promoted from senior vice president to executive vice president/director at Country Club Bank, Kansas City. He succeeds Jay Reynolds, executive vice president, who took early retirement.

New Mexico

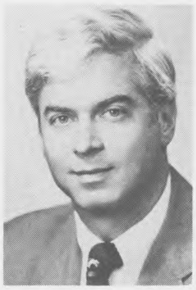
Clarence A. Rumpel, senior vice president, Santa Fe National, is president of the New Mexico Chapter, which has received full-fledged status from Robert Morris Associates. Other chapter officers are: first vice president, Robert Goodman, vice president, Rio Grande Valley Bank, Albuquerque;


REITER


STOECKER


HAYWOOD


GOODWIN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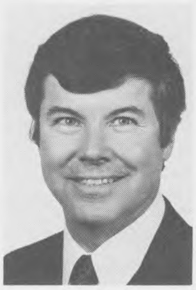
BUTLER

second vice president, Roy Bruner, vice president, First National of Dona Ana County, Las Cruces; secretary, Eric Knight, assistant vice president, First National, Roswell, and treasurer, Barbara Schkade, loan review officer, Albuquerque National. The chapter had been operating under RMA's Arizona Chapter as a group, or subchapter, for eight years.

Edwin P. Cover has been made senior vice president/consumer group, New Mexico Banquest Corp., formerly New Mexico Bancorp., headquartered in Santa Fe. He is responsible for the general supervision of consumer services for HC affiliates. Mr. Cover also is executive vice president, First National, Santa Fe, the firm's lead bank.

Oklahoma

James W. Morris, with Bank of Oklahoma, Tulsa, five years, has been promoted to vice president/trust officer in charge of the employee benefits group.

J. Robert Hanes has been promoted to senior vice president/administrator of the operational support division, Fidelity Bank, Oklahoma City. He was vice president/assistant administrator of that division.

John D. Strong Jr., formerly senior vice president/commercial loans, Fourth National, Wichita, has been promoted to executive vice president/manager of lending. David Lamb, an officer in the commercial loan division, has been made a senior vice president in that division.

STRONG LAMB

Ben L. Boyd and William E. Mercer have joined First National, Oklahoma City, as vice presidents; Mr. Boyd in energy lending and Mr. Mercer in finance/accounting.

Louis H. Brigham has been elected president/CEO of the new Commercial National, Oklahoma City. He was senior vice president, Fidelity Bank, Oklahoma City, which he joined in 1968. The new bank will be located in a two-story, 12,000-square-foot building, which will be completed early next year.

Jackie L. Woods has been named assistant cashier/assistant trust officer, Central National, Enid. She went there in 1978.

Tennessee

Jerre R. Haskew, executive vice president, Commerce Union, Nashville, has been elected president/CEO, Commerce Union, Chattanooga, succeeding John VorderBrugge, who will continue as chairman of the Chattanooga bank. Mr. Haskew joined Commerce Union, Nashville, in 1970. He was responsible for long-range corporate planning, personnel and correspondent banking for the bank and its parent, Tennessee Valley Bancorp.

James D. Harrell has been elected president/CEO, First National of Gibson County, Humboldt, succeeding Wallace Kimberlin, who had been president since 1977. Mr. Kimberlin has been elected first vice president and chief administrative officer, National Bank of Commerce, Jackson. Mr. Harrell has been with the bank 13 years and was formerly executive vice president.

Chauncey W. Lever, president, Hamilton Bank, Johnson City, has been named an Area II vice president, Boy Scouts of America. His activities include the councils headquartered in Knoxville, Chattanooga and Johnson City.

William C. Colbert has been named vice president/equity portfolio manager and analyst at First Tennessee Investment Management, Inc., Memphis, a subsidiary of First Tennessee National Corp., HC whose lead bank is First Tennessee Bank, Memphis. Mr. Colbert also is a member of the firm's equity portfolio committee. He was a member of the investment research staff at St. Louis Union Trust prior to joining First Tennessee in April.

Texas

United Bank of Texas, Austin, has commissioned LeFebure to supply a proprietary security system for its new banking/office building. The contract exceeds half a million dollars. The system combines audiovisual and electronic sensors that screen activity throughout the building. The system pinpoints any problem and instructs its operator what to do to resolve the situation.

First United Bancorporation Plans Office Building

FORT WORTH — First United Bancorp. and Cadillac Fairview Southern Region have announced plans to develop a 35-story office building in the downtown area that will be the HC's headquarters.

First National, the HC's lead bank, will locate certain banking functions in the new building, which is more than twice the size of its present building.

A parking garage with about 1,000 spaces will be built adjacent to the tower and provision will be made for drive-in facilities.

Construction is expected to start by year-end, with occupancy by late 1982.

Cadillac Fairview is a publicly held real estate firm.

Frost National, San Antonio, has promoted William Clyborne Jr. and John Martin to vice presidents. Mr. Clyborne is in the trust department and Mr. Martin is in the automated customer services department. Both joined the bank in 1978.

Bankers who aren't "creative" in the 80s might not be bankers in the 90s.

It's no secret that the 80s will be a decade of challenge. And perhaps nowhere will that challenge be more in evidence than in our own industry. A recitation of the contributing factors here would be redundant. We all know what they are. What I'd like to share with you is The First's approach to what lies ahead.

We intend to become even more resourceful in looking for better ways to do business. In the process we intend to encourage a vigorously "creative" approach in all of our activities, from personnel management to product development. By creative I mean an attitude which insures that today's way of doing things is a subject for constant review. Such an attitude, and its pervasive commitment to meaningful innovation, insures further that those who rely on The First can continue to do so with absolute confidence.

And as we find better ways to do business, you, our correspondent customers, will share in the fruits of our labors. We intend to make being a First correspondent customer even more satisfying in the years to come. You have my word on it.

Dale E. Mitchell

Dale E. Mitchell, President, The First

Helping Farmers Help Themselves Goal of Agribusiness Seminars

HELPING farmers help themselves was the goal of Belleville (Ill.) National's agribusiness seminars last winter.

The bank lined up four experts to speak on consecutive Thursdays, not only to its farm customers, but to neighbors as well.

The seminars were the first activity of the bank's then newly formed farm department. They were sponsored as a community service by the bank and by Belleville Area College, where the seminars were held, according to Dale Wachtel, assistant vice president/farm manager.

Pricing was the theme of the first seminar conducted by Darrel L. Good, a University of Illinois faculty member. In his talk, "Marketing Strategy and Price Outlook," Mr. Good discussed predicting agricultural prices, factors determining livestock prices, forces that influence grain prices and pricing alternatives, among others.

Franklin J. Reiss, an extension specialist in land economics at the University of Illinois, discussed farm leases and land prices.

Robert M. Bellatti, an attorney, stressed the importance of proper estate planning. He urged that farmers eliminate owning land in joint tenancy. He said that owning the land as tenants in common saved the estate tax money. However, he cautioned his audience to discuss each situation individually with an attorney.

"Farm Corporations and the Farm Family" was the topic of John J. Vassen, a Belleville attorney. He discussed advantages, disadvantages and alternatives regarding incorporating farm operations; how to use a corporation to lower estate taxes and how to transfer stock in a family farm corporation to children and still keep control by parents and freeze the value for estate-tax purposes.

About 200 persons attended each session held in the college auditorium.

Dale Wachtel (r.), a.v.p., Belleville Nat'l, chats with farmers Tom and Wilma Gaby at agribusiness seminar.

Two-Tiered Loan Rates Designed to Be Aid To Ailing Car Industry

An auto-loan program designed to stimulate purchases of cars and thus help the ailing automobile industry has been introduced by Louisville's Liberty National.

The program, which uses a two-tiered-rate structure, links the term of a loan and the customer's equity position (trade-in value plus any down payment) to determine the interest rate. This plan is said to benefit the customer borrowing 70% or less of the sticker price of new and one-year-old vehicles.

Here is how the program works: On 42-to-48-month loans, the regular rate of 15% is reduced by ½% to 14½%. However, on 24-to-36-month loans, the normal interest rate of 14½ is reduced a full 1% to 13½%. The bank hopes that most customers will elect to take the 24-to-36-month loans and thus help fight inflation by not overextending themselves to 48 months.

As explained by Jack Shipman, executive vice president and head of retail banking at Liberty National, "This program rewards the saver or more prudent buyer. It creates an incentive for customers not to extend their credit more than necessary. Yet it should encourage those in the market for a new car and are able to afford it to move ahead with their plans. We believe the hard-hit auto industry will benefit from our new program as well."

Mr. Shipman adds that the program is designed so that interest rates can be adjusted downward as the prime rate falls.

Bank Arranges Financing For Gary Hotel Rehab

The closing of financing and the beginning of a $6.9-million renovation of the Gary (Ind.) Hotel has been announced by Mayor Richard G. Hatcher. Financing was arranged by St. Joseph Valley Bank and SJV Mortgage Corp., Elkhart.

The 10-story hotel, built about 1920, is being rehabilitated into 140 units for the elderly and handicapped. The building also will include community rooms for tenants, commercial space and office space for the Gary Housing Authority.

The project is said to be the first in the U. S. where financing was achieved through tax-exempt notes on an interim "turnkey contract of sale."

The rehabilitation of the Gary Hotel is part of a $60-$70-million redevelopment program for downtown Gary.

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Try a Bankers' Banker...

Bob Helfer

Boatmen's Vice President Bob Helfer conferring with Donald L. Campbell, President, The Exchange National Bank and James R. Loyd, Executive Vice President, The Exchange National Bank, in front of Exchange National's new Building.

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Everett Knight. President, Gallatin County State Bank, Ridgway, Illinois. Born: Rosiclare, Il., 1942. Education: Southern Illinois University, 1963. Recently coordinated and led small investor group in purchase of three Illinois banks.

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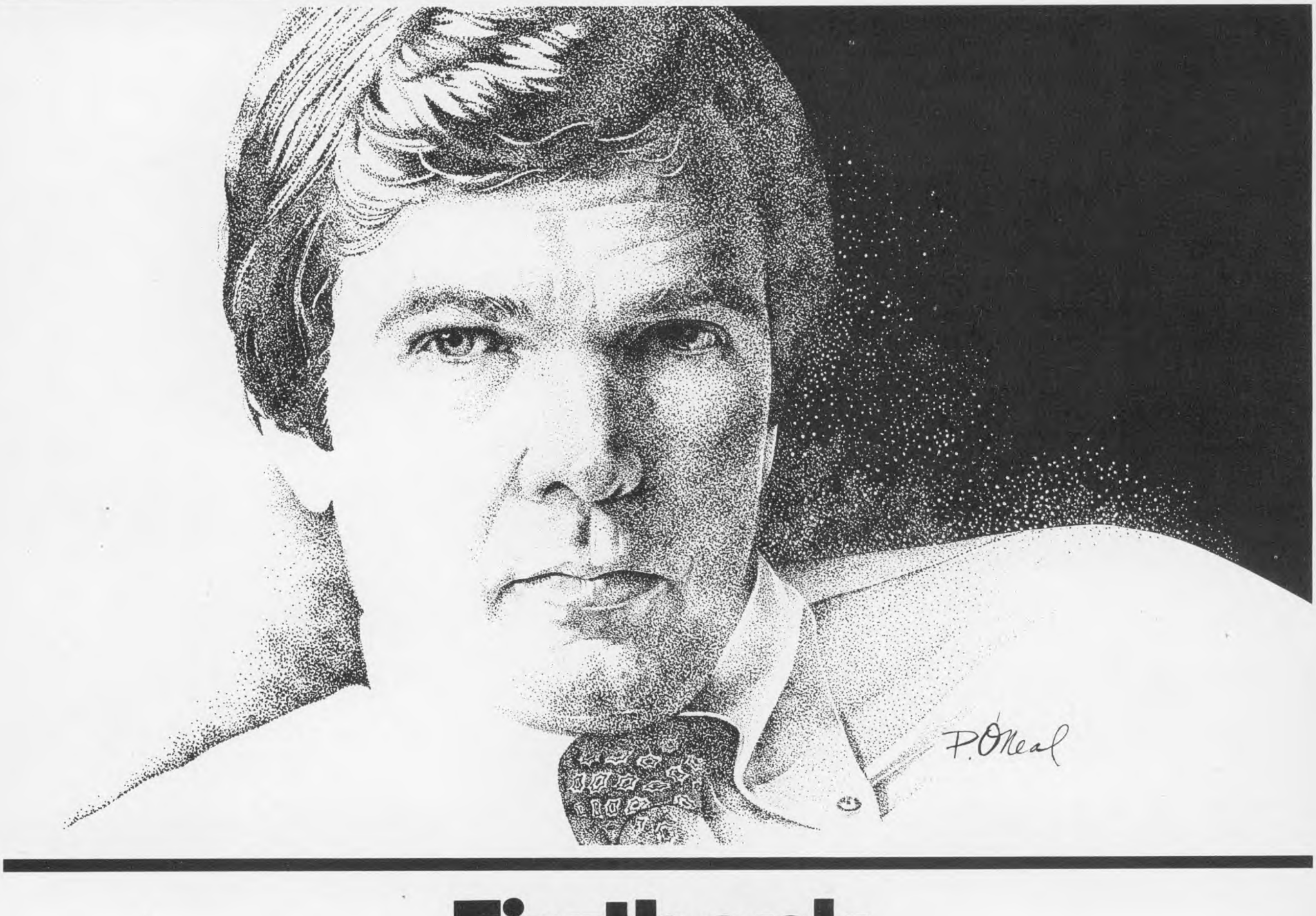

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