MID-CONTINENT BANKER

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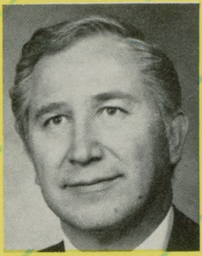
HUMAN RESOURCES ISSUE

State Convention Previews



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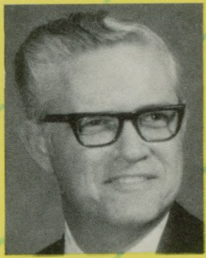

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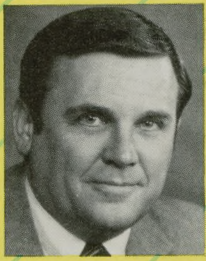

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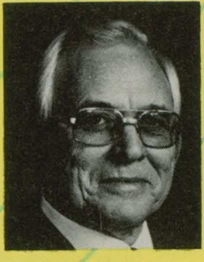

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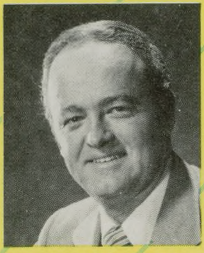

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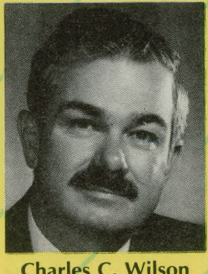

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Helping Bankers Cope Through Consultants Part II — Page 59

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CONVENTION CALENDAR

May 16-19: Independent Bankers Association of America, Seminar/Workshop on the One Bank Holding Company, San Antonio, Tex., Hotel St. Anthony.

May 16-19: American Safe Deposit Association National Education Conference, Dallas.

May 17-20: Mississippi Bankers Association Annual Convention, Biloxi, Broadwater/Hilton Hotels.

May 20-23: Tennessee Bankers Association Annual Convention, Knoxville, Hyatt Regency.

May 22-24: Missouri Bankers Association Annual Convention, Kansas City, Hyatt Regency.

May 23-25: Bank Administration Institute Bank Tax Conference, Boston, Sheraton Hotel.

June 2-6: National AIB Leaders' Conference, Atlanta, Hyatt Regency Atlanta.

June 3-15: Stonier Graduate School of Banking, New Brunswick, N.J., Rutgers University.

June 4-7: ABA Risk/Insurance Management in Banking Seminar, Arlington, Va., Hyatt Regency Crystal City.

June 9-15: ABA Trust Management School, Evanston, Ill., Northwestern University.

June 10-13: Bank Administration Institute Strategic Planning Conference, Chicago, Hyatt Regency.

June 11-12: Minnesota Bankers Association Annual Convention, St. Paul, Radisson Hotel.

June 11-13: Wisconsin Bankers Association Annual Convention, Milwaukee, Hyatt Regency.

June 12-14: Indiana Bankers Association Annual Convention, Indianapolis, Hyatt Regency.

June 13-15: Illinois Bankers Association Annual Convention, Peoria, Pere Marquette Hotel.

June 15-18: New Mexico Bankers Association Annual Convention, Albuquerque, Hilton Inn.

June 19-23: Michigan Bankers Association Annual Convention, Mackinac Island, Grand Hotel.

June 20-22: Association of Bank Holding Companies Annual Meeting, Newport, R.I., Sheraton Islander.

MID-CONTINENT BANKER

(Incorporating MID-WESTERN BANKER)

IN THIS ISSUE

Volume 80, No. 5 **May, 1984**

Mid-Continent Banker Staff

Ralph B. Cox
Publisher

Lawrence W. Colbert
Vice President, Advertising

Rosemary McKelvey
Editor

Jim Fabian
Senior Editor

John L. Cleveland
Assistant to the Publisher

Mid-Continent Banker Editorial/Advertising Offices

St. Louis, Mo., 408 Olive, 63102. Tel. 314/421-5445; Ralph B. Cox, Publisher; Marge Bottiaux, Advertising Production Mgr.

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Sears Subsidiary Seeks 'Mature Market'

THE "MATURE" segment of the population long has been important to commercial banks. This can be seen in the various "packages" banks offer those over, say, 55 or 60 — packages that contain free checking accounts, free investment advice, special trips and entertainment. Now, nonbank competitors also are realizing the value of this group of people. For instance, a member of the Sears "family of companies" recently announced creation of an organization called Mature Outlook for those 55 and over.

"Purpose of Mature Outlook is to create a greater affinity of this age group (55 and over) to the Sears family of companies and to develop marketing opportunities for all of its business groups." — William R. Strauss, executive director, Mature Outlook.

Mature Outlook is designed as a market-segmentation strategy that Allstate Enterprises Holdings, Inc., believes will benefit four Sears business groups, including Allstate Insurance, Dean Witter Financial Services, Coldwell Banker Real Estate and Sears Merchandise.

"Purpose of Mature Outlook is to create a greater affinity of this age group to the Sears family of companies and to develop marketing opportunities for all of its business groups," says William R. Strauss, Mature Outlook executive director.

A newly formed firm, Mature Outlook, Inc., administers and services this new organization. Mature Outlook, Inc., is a subsidiary of Allstate Enterprises Holdings, Inc., which, in turn, is owned by Sears, Roebuck & Co. and is serviced by Allstate Insurance Group.

Anyone 55 years old and older is eligible to join. Mature Outlook offers several services and benefits to its members for a $7.50 annual fee. Some of those benefits include a quarterly magazine called *Mature Outlook* and several issues of a newsletter of the same name. Each of the publications contains informative articles on how Mature Outlook members, including those considering retirement, can get more out of life.

Other membership benefits include leisure/travel information and tips on which hotels, restaurants and other services offer discounts to people 55 and older. Members also are offered auto-safety checks at Sears Automotive centers and are eligible to join Allstate Motor Club at discount rates.

Mature Outlook provides financial tips, including free investment-portfolio evaluations by Dean Witter, information on Allstate's lifetime-income IRA plans and other investment services.

In addition, members receive information about special Allstate discounts on auto/home owners' insurance, travel-accident protection and health insurance/Medicare guides. Other benefits include home evaluations from Coldwell Banker, low-cost film developing and discounts from Hertz Used Car Sales.

"The 55-and-over market," Mr. Strauss points out, "is a large and growing segment of the population. One-third of all consumer households (28 million) in the U. S. are headed by a person 55 or over. This group accounts for $400 billion of annual personal income in the U. S." • •

Credit-Union Membership Pondered For Elderly

The National Credit Union Administration (NCUA) is expected to decide soon whether it will allow the nation's retirees to join any nearby credit union.

Under present regulations, credit unions are limited to offering their services to individuals linked by some "common bond" of employment, association or location.

The NCUA is expected to vote on the proposal following a comment period that ended April 30 and after the agency has examined a study on the topic now being compiled.

The proposal appears to coincide with the NCUA's chartering and expansion policies. Last year the agency sought comments on a similar proposal that left unclear whether credit union service would be extended to all retired persons or only to those with prior credit union membership. The new proposal is expected to clarify which retirees should be eligible for the service.

The NCUA says a majority of comments are in favor of extending credit union services to retirees. Proponents state that many retirees cannot obtain credit union service because they have moved from the area where they once were employed, breaking their common bond status.

• **Doyle L. Arnold,** senior deputy comptroller for policy and planning at the Office of the Comptroller of the Currency, Washington, D. C., has resigned to become affiliated with Wells Fargo Bank, San Francisco. He joined the OCC in 1982, following service as executive assistant to the deputy secretary of the Treasury.

J. Michael Collins, Asst. vice-president
Chippewa Bank, St. Louis, MO

"The Horizons 60 program has enabled us to attract and retain an ever-growing share of the senior citizens market."

"With the help of the HORIZONS 60 staff," adds Mr. Collins, "we're able to successfully compete with larger, more manpower-intense senior citizens programs of other banks, at a fraction of the cost. Our experience at Chippewa Bank has definitely been positive."

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Most-Wanted Bankers, Banking's 'Hot Spots' Revealed in Survey

IN the May, 1983, issue of MID-CONTINENT BANKER, an article on results of a survey of executive-search firms showed that experienced commercial lenders were the most sought-after category by commercial banks. We hate to sound like a broken record, but the 1984 survey of executive-search — or "headhunter" — firms again shows commercial lenders to be most in demand.

The annual human-resources survey requested comments from these companies on several areas besides personnel categories, such as geographical "hot spots," salaries, fringe benefits and hiring rate.

Commercial Lending. There is a continuing need for commercial-lending officers throughout the Mid-Continent area, according to Bill Doherty, bank staffing specialist, Cameron & Merrill Bank Search Group, Olathe, Kan. Requests for his firm's assistance are coming from all sizes of banks — small, medium and large.

"Personally," continues Mr. Doherty, "I thought there would be a decline in the need for commercial-loan officers because of the various acquisitions and mergers being completed in almost 'Pac-Man'-like fashion by some of the larger banks and HCs. However, instead of a decline, I was pleasantly surprised to see an increase in employment opportunities. It appears the trend has been for acquiring banks to be aggressive in their new trade areas by actively seeking new depositors and loan commitments. Based on this aggressiveness, they actually have created a need for additional officers, mostly officers with five or more years' experience dealing mainly with middle-market accounts. The need is well known by officers who fall into this category and affords them the opportunity to be somewhat selective as to their geographic preference and also as to their salary/fringe-benefit requirements."

This opinion is borne out by Vernon H. McKinley, financial-institutions consultant, Professional Personnel Consultants, Inc., Southfield, Mich.: "Now that the economy has improved and deregulation has become an important competitive factor, banks seem to have re-evaluated their long-range planning and require strong, experienced middle-market commercial lenders. The heavy emphasis is being placed not just on formal credit training, but also on a strong personality and polished 'pavement-pounding' capabilities."

"During the last six months of 1983 and the first quarter of 1984," says Linda Blue Smith, president, Tom Hagan & Associates, North Kansas City, "the marketplace has shown an increased interest in real-estate-loan/senior-agricultural-loan personnel. Commercial lenders in the middle- to senior-management levels and "proved" administrative officers continue to hold a lead in the demand category."

Ms. Blue adds that consumer-loan officer/junior agri-loan and entry-level-management positions still are soft areas.

"There still is a big demand for commercial lenders," says Carol Park, banking specialist, Regency Recruiters, Inc., Kansas City, "but a category even higher in demand is the commercial-construction lender whose average loan is approximately $3 million in size."

Ms. Park points out that ag lenders for smaller country banks also are in demand. She adds that workout experience is important, and this is related directly to economic problems farmers are experiencing.

A third area Ms. Park sees a need for is trust (primarily personal-trust administration).

In addition, she says, there always will be a demand for CEOs, and the biggest activity she is seeing is in the $15-million to $50-million privately owned banks.

Although John S. Dean, banking/financial recruiting, S-H-S International of Wheaton, Inc., Wheaton, Ill., agrees that commercial lenders continue to hold a lead in number of job openings, he sees an increasing demand for skilled real-estate lenders to re-staff departments that had become

Interesting Sideline

Regency Recruiters, Inc., Kansas City, has an interesting sideline, as reported by Carol Park, banking specialist there. It is obtaining live-in domestic help for trust clients, hired via trust officers of the firm's client banks.

While domestic help never has been an area her firm has worked, says Ms. Park, it is aware of an ever-increasing need for live-in servants/companions for wealthy people whose only alternative would be a retirement or nursing home. Those mentally and/or physically healthy don't consider these as alternatives, continues Ms. Park, and they want to stay in their own homes.

As an agency, she points out, Regency Recruiters does this as an additional service to a bank and works only through that bank in locating the proper person or persons. While "maid-and-butler" placements were not an area of expansion her firm anticipated, it has been able to fill this role successfully for its bank clients and wants to become aware of any additional areas where it can be of service to its primary client, the bank.

short-handed the past few years.

"Strong competition for experienced real-estate lenders," he explains, "is coming from renascent S&Ls and from syndicators putting together tax-shelter packages. Sophisticated trust-investment officers currently represent one of the highest-priced specialties, although a comparatively small segment of the market by numbers."

Demand-type positions most sought after by clients of Dunhill of Phoenix, Inc., are, according to Donald N. Hanak, CPC, president/chief headhunter: 1. Loan workout/loan review/credit officers — because of the FDIC and Fed putting some banks on their "watch lists" regarding quality of those banks' loans. 2. Construction/mortgage lenders — because of the increase in both commercial and residential construction. 3. Commercial lenders — because of the positive economy and the fact that businesses during the past couple of years were in a survival mode, but now are looking at growth, and, finally, because S&Ls have recruited heavily in this area due to deregulation.

Ray E. Makalous also says the strongest demand continues to be for experienced commercial lenders, particularly those with formal credit training. However, Mr. Makalous, partner, Accounting & Financial Careers, Inc., Overland Park, Kan., sees an increase in demand for general managers in CEO and executive-vice-president positions. He attributes this to a combination of the many ownership changes in banks and large number of problem banks. He also sees an increase in mortgage lending and the beginning of a strong interest in business-development expertise and in the general marketing area.

Vernon H. McKinley of Professional Personnel Consultants says product-development and strategic-planning professionals are being considered and should be in demand as new financial intermediaries enter the competitive marketplace.

"Hot Spots." The Sun Belt area, as it was last year, still is a top destination for relocating bankers, most of the responding headhunters say. However, problems with energy loans have noticeably slowed the expansion rate of Texas and Oklahoma banks.

However, Carol Park of Regency Recruiters does not share the opinion the Sun Belt still is "hot." "If there is a geographical hot spot in today's market for bankers," she says, "I am unaware of it. At the decline of the oil boom, Oklahoma and Texas cooled off, but

Major Trends, Future Direction Of Bank-Executive Compensation

By Donald K. Inderlied

GIVEN the scenario of slow, but continued, economic growth over the balance of the 1980s, along with a changing profile of bank-business structure, diversification of entrepreneurial and conventional banking practices, bank-executive compensation will gravitate away from fixed-cash salaries to variable pay tied to performance objectives and long-term incentives. As more and more banks adopt true pay for performance philosophies, we can expect that more compensation-program-design experimentation will emerge. More individualization of compensation programs will surface to motivate and reward separate business units and specific key individuals within the group.

Based on our studies of bank-officer compensation and on our research/consulting activities, we see the following specific trends developing:

- *Cash-Pay Trends*. Over the next several years, we expect cash-salary increases for executive-level personnel to decline moderately and average between 7.5%-8.5% over the balance of the 1980s. It is possible, however, that in banks that have a substantial positive turnaround-earnings experience, executive cash-pay increases could rise to the 11%-14% range in the short term. As more banks experiment with pay-increase formulas tied directly to corporate objectives, we expect the number of executives receiving salary increases to decrease. Director-compensation committees will tie rewards more selectively to results attained by key executives in individual business-profit centers.
- *Variable-Pay Trends*. We expect a gradual shift from traditional fixed-compensation programs employing umbrella-reward guidelines with matrix formatting to a more fluid design variable-reward structure. Year-end-bonus programs will be designed with tougher criteria, and pay-out potentials will be contingent on more carefully defined objectives.
- *Short-Term-Bonus-Plan Trends*. Bonus plans for middle-management and key professional/technical personnel tied to short-term objectives will gain popularity as more banks introduce new products and capitalize on entrepreneurial opportunities in the retail market.
- *Long-Term-Reward Trends*. As more and more banks integrate pay programs with strategic corporate-performance objectives, use of long-term-reward programs will increase sharply as the vehicle to motivate executive management. The design of these instruments will be multifaceted, employing a combination of direct-cash-payment/stock-option features. Incentive stock options (ISOs) will be adopted widely in conjunction with non-qualified options.
- *Individual Net-Worth Trends*. Along with the shift from cash year-end increases to long-term incentive awards, we expect more individualized designed executive-compensation programs. As banks begin experimenting with merchandising techniques, as done in the retailing industry, the need for entrepreneurial skills and talent will rise. Along with this shift, banks will focus more on individual net-worth needs since programs and strategic objectives will be designed to maximize performance. We expect this will bring about a gradual shift away from the concept of career/retirement planning to personalized employment contracts with individual compensation packages.
- *Employment-Contract Trends*. Individual employment contracts will increase sharply as corporate demands get stiffer. Also, as the number of mergers and acquisitions increase, so will the number of security-blanket or "golden-parachute" programs.
- *Compensation-Committee Trends*. As reward systems increase in number, complexity and cost, participation of boards and compensation committees will increase.
- *Benefits/Perquisites Trends*. Traditional health-care/dental/life, etc., benefits and cars/clubs/memberships perquisites will continue throughout the 1980s, *contingent on changes in tax legislation*. More experimentation will be done in the areas of providing financial-counseling services to key executives and in offering special early-retirement opportunities.

Donald K. Inderlied is consultant, Personnel Consulting Services, Inc., Erie, Pa., with a Southwest office in Dallas.

business in general throughout the Midwest has remained stable."

Donald N. Hanak of Dunhill of Phoenix maintains the hot spots of activity still seem to be in Florida, Texas, Colorado, Oklahoma, New Mexico, Utah and California.

In the Midwest, says Linda Blue Smith of Tom Hagan & Associates, rural and community banks are showing greater demand than are metropolitan banks. Of course, she points out, outlying areas don't have the luxury of a large labor pool, and many metropolitan areas are located in multi-bank-HC states that have had changes in laws allowing consolidation of affiliates, with surviving entities becoming branches. Thus, she adds, supply versus demand in some metropolitan areas is out of balance.

According to Ray E. Makalous of Accounting & Financial Careers, there is strong activity in the Central Plains areas, but no one city seems unusually active.

Vernon H. McKinley of Professional Personnel Consultants cites the eastern seaboard and southern and far western states as hot spots.

Salaries/Fringe Benefits. According to Carol Park of Regency Recruiters, banks in the Southwest and Southeast still appear to offer the best salaries. Generally, she continues, small and medium-sized banks seem to pay higher salaries. She attributes this sometimes to the remote area, having private ownership or higher performance of such banks.

As to fringe benefits, Ms. Park says they definitely are the key in senior-executive placements. She lists the most sought-after benefits as stock options, incentive compensation, cars, profit sharing and insurance.

For senior officers, says Linda Blue Smith of Tom Hagan & Associates, the larger the bank, the larger the salary, but many middle-management personnel may receive equal or even greater compensation from smaller banks.

Ms. Smith believes the impact of fringe-benefit packages fluctuates with levels of responsibility. Stock options, profit-sharing, retirement-plan, incentive-compensation and deferred-income plans will weigh more heavily with the experienced executive officer than with the young middle-manager.

Dunhill of Phoenix's Donald N. Hanak sees higher salaries offered in Texas and by larger banks. He also says there is opportunity for growth and advancement offered by small to medium-sized banks, and independent community banks in Arizona and

California are offering attractive opportunities, as well as stock options and incentive bonuses.

According to S-H-S International's John S. Dean, New York and Chicago continue to pay the highest salaries across the board, but banks in other large cities have narrowed the gap considerably. He believes bank-salary scales tend to relate more to a bank's size than to its geographic location. In metropolitan areas, middle-sized banks often try to match salaries of their larger competitors.

In the fringe-benefit area, Mr. Dean says incentive compensation seems to be increasingly attractive to banks. A great many studies have been done to devise programs that not only reward an executive for superior performance, but keep him/her tied to an institution's future. Mr. Dean points out that performance bonuses are popular, with at least a portion of the payout frequently deferred. Stock options, with many variations, also seem to be regaining favor.

Generally, says Ray E. Makalous of Accounting & Financial Careers, the prevailing wage level in a community will apply to banks as well as other employers. He notes one exception: Banks in remote small towns generally have to pay premiums to recruit top talent to their locations.

Speaking of fringe benefits, Mr. Makalous believes reduction in income-tax rates has caused senior executives to place less emphasis on fringe benefits and more emphasis on their base salaries. He points to cars, stock options (especially for senior-level executives) and bonus compensation as the most popular fringe benefits.

According to Vernon H. McKinley of Professional Personnel Consultants, salaries, fortunately, are beginning to be extremely competitive and more acceptable to the professional banker considering a move. As important, however, says Mr. McKinley, are cost-of-living factors from one area of the country to another.

"Although salaries may differ according to sizes of banks and geographical locations," he continues, "career opportunity, cost-of-living and 'quality-of-life' factors are being considered by today's 'mobile executive.'"

Some innovative and exciting benefit packages have been developed by banks, Mr. McKinley points out, adding that although important in final negotiations, these packages don't seem to be the initial factor inducing a candidate to relocate.

"Opportunity for career growth still is the decisive factor for an individual in considering a new employer," says

Skills! Skills! Skills!

Responses to MID-CONTINENT BANKER's 1984 human-resources survey from John S. Dean, banking/financial recruiting, S-H-S International of Wheaton, Wheaton, Ill., are, he points out, influenced by conditions in the extended metropolitan Chicago area, where his firm has a majority of its assignments.

He cites two of these conditions as worth specific mention since they have a marked influence on personnel requirements of banks in his area.

First, in addition to managing changes brought about by deregulation of financial institutions on a national level, banks in the metropolitan Chicago area are dealing with realignments brought about by an increasing number of new multibank HCs.

Second, the overall economy of Chicago (and the whole Great Lakes region), with its mature smokestack industries, was hard hit by the recent recession and is recovering more slowly than most of the country.

According to Mr. Dean, these factors combined have led to narrowly focused recruiting assignments with tightly drawn specifications relating to immediate needs of a hiring bank. The mid-level generalist, continues Mr. Dean, currently is in real trouble when trying to find a new bank position. The maxim outlining the three requirements for successful real-estate investment — 1. Location. 2. Location, 3. Location — can be paraphrased as an accurate description of today's requirements for success in finding a good job in banking — 1. Skills. 2. Skills. 3. Skills.

Child-Care-Referral Program Helps Employees of Bank

WHEN banks search for ways to reduce staff turnover, not many think of helping employees in the child-care area. However, a Cleveland bank — AmeriTrust — has set up a child-care program it credits with helping to decrease employee turnover.

This program does not involve filling an area of the bank with sandboxes, swings and toys. Instead, AmeriTrust put together a program called Childcare Advice and Referral for Employees (CARE), which helps its 4,000 employees find the best methods of having their children cared for while the parents are at work.

What exactly is AmeriTrust's CARE? It is, basically, providing information on and referral to child-care facilities. According to a bank brochure, CARE answers such questions for employees as: Is there child care for children with special needs? Can I check out child-care options without obligations? Are there learn-to-swim programs or play groups in my area? What do I do with my school-agers during vacations? Is there any child care for night-shift employees?

The program serves the following age groups: infant, preschool, toddler, kindergarten and before- and after-school programs up to the third grade.

An early-childhood specialist is at the bank's main office each Tuesday, and employees may arrange telephone or personal interviews for that day. Follow-ups are made with each employee to ensure that he or she has located appropriate child care.

Lois Goodman, employment specialist at AmeriTrust, points out that it's not only women employees who avail themselves of CARE. A divorced father told a supervisor he was unable to accept a promotion because it would mean working Saturdays, a difficult time to find day care. The supervisor called the CARE office; a sitter was located, and the man took the promotion.

In another case, tardiness was reduced. A woman employee had been getting up at 5:30 a.m. each day, but still was late getting to work. The reason: She took two buses to get her child to day care and then three buses to get back to work. According to Ms. Goodman, CARE helped her find a more convenient center, and now she gets to work on time.

To help the day-care consultant, Lynda Staycer, make placements, she has a computerized list of more than 800 day-care centers and homes, baby sitters, before- and after-school programs, summer camps and nursery schools.

Ms. Goodman says CARE also is a valuable recruitment tool. For instance, the bank was trying to attract an executive from out of state who also had received offers from several other places. He and his wife had young children and were concerned about the effect of the move on them. The CARE worker phoned the couple and let them know what kinds of nursery school and enrichment programs were available in Cleveland, and he eventually accepted the AmeriTrust offer.

Bill Doherty of Cameron & Merrill Bank Search Group. "Without affording an opportunity for upward mobility, a bank has little, if any, chance to hire a good officer, regardless of the salary increase, perks or signing bonus.

"Incentive programs for lending officers are either in place or are being tested by many banks and, at this point, are proving to be successful and beneficial for the bank as well as exciting for the officers because, based on performance, they can increase their earnings. Banks with incentive-performance programs are going to attract the most talented and professional officers. Officers interested in incentive programs that provide a portion of their income seem to be more aggressive and work with a high level of confidence in their abilities. They like the challenge of compensation by excelling."

Hiring Rate. In the opinion of Carol Park of Regency Recruiters, the hiring rate for bankers is up, and she attributes this to the general economic recovery and to the many acquisitions being made and new charters being granted.

According to Linda Blue Smith of Tom Hagan & Associates, the hiring outlook for "top performers" at all levels is bright. The problem is more one of attracting the "top performer," she says and adds that many senior-level officers who survived the upheaval of the last two years seem challenged and satisfied in their present positions, and the number of quality applicants is not matching past numbers.

"Employers," Ms. Smith emphasizes, "continue to demand quality and refuse to lower their standards for the sake of 'filling a desk.' Marginal candidates will find 1984 to be another tough year."

John S. Dean of S-H-S International says he finds the hiring rate in his area to be up slightly compared to a year ago and up noticeably from two years ago. The rate of hires probably would be higher, he believes, if there were more "top-notch" candidates available. During the recession, he continues, many banks reduced their work forces, either in selected departments or bank wide. A pickup in business and the need to meet competition in new areas of activity have forced a highly selective re-staffing, he points out.

Ray Makalous of Accounting & Financial Careers says the hiring rate was extremely active a year ago, and it continues to be active. He attributes

this unusual activity to the large number of problem banks, large number of ownership changes and new opportunities for banks brought about by deregulation.

Relocation. Carol Park (Regency Recruiters) says all her firm's clients are willing to pay moving expenses of bankers they import. Of course, these banks like to draw candidates from as close to their areas as possible. The reason for this, according to Ms. Park, seems unrelated to moving costs, but is directly related to bankers having a familiarity with the marketplace. For top-management posts, many of the firm's client banks help in some way with the new employee's housing.

In 1984, Ms. Park sees less resistance on the part of bankers moving from their present areas.

"The resistance we've experienced," she continues, "is with our applicants' wives. The irony of the whole thing is that the applicant will have as many as two interviews out of town with a bank, accept the offer, and then the wife will refuse to go. It appears, in some cases, that she never has been informed by her husband that he was interviewing, or if she was informed, remained silent, and he interpreted her silence as approval.

"We encourage our clients to telephone interview the wives early in the interviewing process. Two-career families are an ever-increasing problem we have to deal with and a problem that's not going to go away. As an agency that specializes in other areas besides banking, we offer to assist the wives as well. In some cases, we have placed both. Banks sometimes will be helpful with this through their contacts."

Linda Blue Smith of Tom Hagan & Associates says employers are quite willing to pay relocation expenses for their senior-management personnel. As the level of responsibility decreases, she points out, this item becomes more negotiable.

Ms. Smith believes the upturn in the housing market has lessened pressure on the new employer to make a commitment to buy a new hire's previous residence, and fewer applicants seem to face the fear their homes will not sell within a reasonable length of time.

She also sees two-career families as becoming much more of an influence on relocation than in the past. This trend, she points out, is more evident in the younger middle-management ranks, and it could prove a major problem for smaller community banks in the future.

Bill Doherty of Cameron & Merrill has this to say about relocations: "New employers, as a rule, seem to be most willing to pay reasonable relocation expenses for all levels of officers. Home-buying-assistance programs seem to be reserved for senior and executive management. However, this is not necessarily commonplace, but a negotiable benefit."

The high cost of moving doesn't seem to be a major problem to the bank willing to import a quality professional, says Vernon H. McKinley of Professional Personnel Consultants. Naturally, he adds, the recruit's present home and future residence are concerns. Many banks are willing to provide many forms of relocation assistance for their new executives.

Mr. McKinley doesn't find bankers putting up much resistance to moving away from their present areas. Wives and families do play an important part in the relocation process, he points out, and his firm assists both the bank and banker in solving many unforeseen problems. In the case of a two-career family, he says his firm has the staff expertise to help the nonbanker professional.

In his answer to the MCB survey, John S. Dean of S-H-S International says relocation/housing bonuses usually are paid on jobs only in the $75,000-$100,000-salary range and up. He notes there are exceptions based on acute specific needs of banks.

Mr. Dean says candidates continue to have some resistance to moving from one region to another without above-average salary increases. The roadblock posed by real-estate/mortgage markets is not the restraining factor it was for the past two years, he says. Life-style considerations are an important factor for many candidates, with climate, cultural and recreational opportunities weighing heavily in some candidates' decisions. Two-career families (particularly among the under-40-age group) can be difficult to

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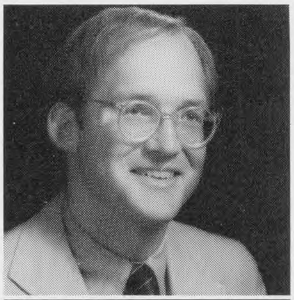
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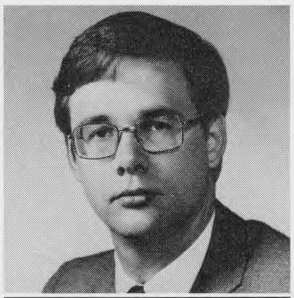
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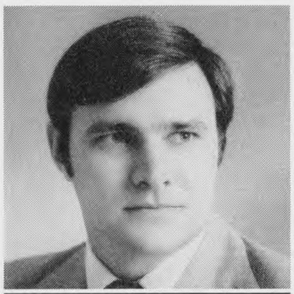
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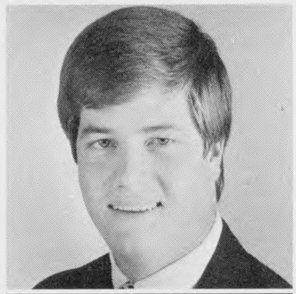
John Shrader

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move, although for a few key jobs, the employer will help a spouse of a relocated candidate try to find a job.

Donald N. Hanak of Dunhill of Phoenix sees a reluctance on the part of banks to bring people from one part of the country to another. However, he adds, he has seen no resistance or reluctance on the part of bankers to relocate.

"They are interested in career advancement," says Mr. Hanak, "and if it means relocation — they'll move!"

Ray E. Makalous of Accounting & Financial Careers finds that, almost without exception, moving expenses are paid by an importing bank when recruiting a new officer. The higher the level, the more moving benefits provided. At the CEO and executive-vice-president level, he says, it is common to offer to buy the house, pay for interim financing, provide temporary living quarters, etc. At the lower-level-officer positions, it is common to pay actual out-of-pocket moving expenses and provide temporary living expenses.

"Two-career families present a significant recruiting problem for banks in today's environment," continues Mr. Makalous. "The importing bank must be prepared to assist the spouse in finding comparable employment in the new location. Successful recruiting requires a more open mind about the role of the working spouse than ever before. Banks that are successful in recruiting a two-career-family employee are extremely active in assisting the spouse in finding employment by contacting bank cutomers in the hope of finding employment or even offering to pay the spouse's new employer's employment agency fee as an enticement to the new employer to hire the spouse."

Another form of relocation seems to be cropping up as shown in a statement by Carol Park of Regency Recruiters: "We are seeing a large amount of activity in the savings-and-loan industry requesting bank personnel. Contrary to times past, bankers have an interest in making these moves and no longer feel it's committing treason."

What Lies Ahead? Here is how Donald K. Inderlied, consultant, Personnel Consulting Services, Inc., Erie, Pa., sees the future: "Clearly, we believe that bank corporate-compensation philosophies, policies and programs will undergo substantial revisions over the balance of the 1980s, and, in the more conservative banks, change will be extremely difficult. Perhaps the single most difficult issue will be on deciding on performance measurements that are appropriate and reasonable.

"Effective communications of business objectives, strategy and pay systems will be a continuing source of concern. Traditional means of surveying and job-evaluation processes will be upgraded technologically to take advantage of computer capabilities both in the marketplace job pricing and in modeling compensation programs.

"Creating a climate of innovation while, at the same time, practicing traditional sound business judgment will be difficult. Designing compensation programs that will provide the necessary incentives to achieve tougher corporate-performance objectives in an era of lowering expectations will be a herculean task for most banks.

"Lastly, as shareholder sensitivities about executive pay increase, boards of directors and compensation committees will find it difficult to communicate and justify new programs that are tied to long-term objectives without jeopardizing strategic competitive plans of the corporation.

"As the profile of the financial industry changes due to competitive and deregulatory issues, so will the mix of compensation and benefits programs within the industry. The job of top management and board-compensation committees will be tougher. Key to their success will be whether they can put into place the right mix of reward systems that will provide the necessary incentive to stimulate, attract and retain key personnel who can attain the difficult performance objectives over the balance of the 1980s." — **Rosemary McKelvey, editor.**

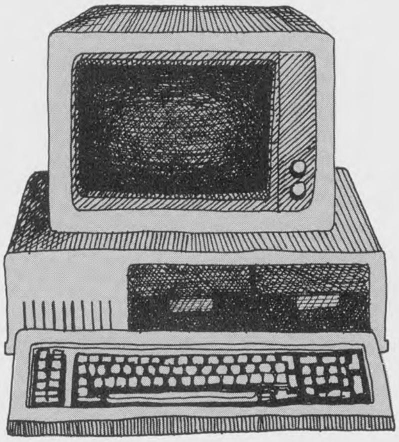
ABA Divison Renamed

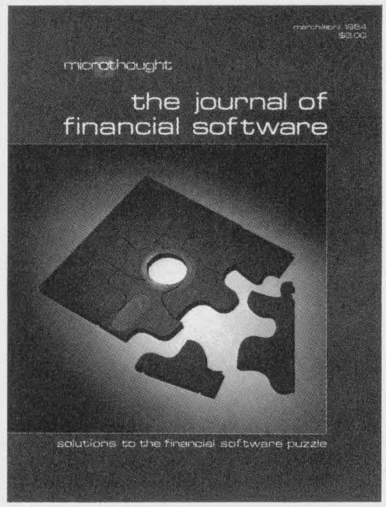
The ABA's bank personnel division has been renamed human resources division.

The change represents a broader role for the division, which serves banks in developing personnel policies and managing employment and human-resources issues.

The division continues as part of the administration group. Shirley E. Broder, new to the ABA, is associate director of the division and has primary responsibility for its activities and programs.

The division provides professional banker education and training through three national schools and two national conferences annually. A wide range of human-resources publications also is produced by the division.





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Tax, Inflation Concerns Of Directors Addressed By Deferred-Fee Plans

TWO of the primary concerns of successful business people today are taxes and inflation, says Donald P. Couch, financial planner with D. F. Nash & Associates, Little Rock.

And bank directors are no exception. They generally have high incomes and high tax brackets.

Board fees paid to directors can be deferred in exchange for a contract to pay larger amounts after retirement, he says. In addition, such contracts provide for payments of benefits to a director's beneficiary in the event of death prior to retirement.

He cites the following example: A director whose bank defers a fee of $100 per month, starting at age 35, would be entitled to $95,332 per year for 10 years following retirement at age 70. The director's beneficiaries would be entitled to a death benefit of $19,619 per year for the same time period.

The older a director is at the time he/she begins to defer fees, the smaller the benefit amount. But a director who starts deferring $100 per month in fees at age 45 can expect a payout of more than $34,000 per year for 10 years after retirement at age 70, according to Mr. Couch.

Banks participating in plans designed by the Nash firm purchase life-insurance policies for participating directors, using deferred fees to pay premiums. The face value of the policy at death or retirement determines payout benefits.

Mr. Couch says benefits are a function of several factors, including face value of the insurance policy, future dividends of the policy, the tax bracket of the firm, interest rates at death or retirement of a director and mortality tables.

"We don't feel it's fair to the bank or the director to estimate what these variables will be 10, 20 or even 30 years in the future," Mr. Couch says. "Therefore, our plan incorporates a formula which determines the benefit at retirement or death. This formula allows us flexibility to customize a plan for each of our clients."

The formula is designed in such a way that there always is complete cost recovery for the bank, he adds. And there is no cost to stockholders. During the life of a plan, cash values of the life insurance will reflect an increase in surplus for the bank as compared to paying director fees at the time they are earned.

Mr. Couch says commonly asked questions about deferred compensation plans include the following:

• How can a bank pay a director so much more later than it can pay now in board fees?

Because of the tax-free nature of insurance proceeds, the increasing death benefit due to dividends and the fact that benefit payments are tax deductible.

• How long must a director defer his fees?

This is negotiable between the director and the bank. Normally, a director would defer his fee until retirement; however, shorter periods can be arranged. Benefits are in direct proportion to the total amount of contributions a director makes.

• Does a plan require government agency approval?

No. However, it's necessary to notify the Department of Labor that such a plan is available to a certain distinct group of executives or directors.

• Do all directors have to participate?

No. Each contract is an individual one between a director and the bank and there is no interrelationship between them.

• Is there any vesting?

No. If there were vesting or guarantees under the contract that certain sums were set aside for the director, the IRS would consider the deferral of fees to be constructive receipt in the year they were deferred.

• What happens if a director leaves the board before reaching retirement age?

Under the contract, leaving the board for any reason other than normal retirement or death is considered termination. Under termination provisions, the director would be given the cash value as stated in the policy at that time.

• Why should a bank want to make a deferred-compensation plan available to its directors?

First, it's a way for the bank to pay much larger amounts than the annual directors' fees and pay them at a time when they are most needed. The existence of such a plan will attract and keep qualified individuals as directors. Second, the bank can sponsor a plan with no additional cost over regular director fees. Third, fees accumulate in the form of cash values that increase the bank's book value.

• Does a director have any tax liabil-

Four-in-10 Top Banks Defer Fees

ALMOST 40% of the nation's top 200 banks provide deferred-compensation programs to their outside directors, according to an extrapolation of results of a recent survey covering this topic made by William M. Mercer-Meidinger, Inc., Louisville.

Survey tabulation reveals that deferred-compensation plans are more prevalent in the largest 100 banks than in the second-largest 100 banks. Fifty percent of the top 100 banks reported having deferred-payment plans and less than one-third of the second 100 provide the benefit.

With the recent liberalization of Keogh-plan-contribution regulations, "many outside directors are, no doubt, taking advantage of this tax shelter on their own," says Frank Peabody, managing director, Mercer-Meidinger. "As 'independent contractors' they can make their own decisions based on their specific personal financial-planning needs, thus some banks may not feel the need to provide additional deferral arrangements."

A separate section of the survey indicates that the vast majority of larger banks maintain mandatory retirement-age policies, with age 70 being by far the most popular retirement age.

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ity prior to death or retirement?

No. The way the plan is structured, the director will not have any taxable income from deferred fees until such time as he/she begins to draw the benefits under the agreement.

• Can a director defer a portion of his/her fees?

Yes. If the bank agrees to set up the plan to allow for partial deferral.

• If the bank is sold or merges with another bank, would the plan continue?

Yes. The obligations under the contract would be assumed by the new entity and would continue as long as the director remains on the board. If benefits are being paid under either the death or retirement provisions when a change in ownership occurs, payments would continue.

• Does a director have to provide evidence of insurability?

Yes. The amount and age will determine the extent of medical information to be submitted. — **Jim Fabian, senior editor.**

Officer/Director Deferred-Comp Plans Replace Traditional Taxable Benefits

By Robert S. Mattei,* Vice President
Executive Planning Group, Inc., Monroe, La.

IN THE competitive environment facing banks today, the demand for the talent of quality bank officers is tremendous. They are difficult to find, expensive to train and, if lost to competitors, difficult to replace.

Traditionally, periodic salary increases and bonuses have worked to retain officers. However, the bracket-creep associated with our tax system, combined with inflation, have diminished the effectiveness of these policies to a point that it's nearly futile to implement them.

If an officer's compensation is sufficient to support his standard of living, some means should be devised to provide lifetime security while avoiding current taxes. The obvious alternative is the use of fringe benefits that are non-taxable during the officer's income-earning years.

Similarly, top-quality directors find that board and committee fees don't nearly compensate them for the time and fiduciary requirements of board service. Tax-favored fringe benefits for directors virtually are nonexistent, since directors aren't bank employees. Additionally, many who are no longer active in a business are completely at a loss for a way to gain the advantages of corporate-tax-favored fringe benefits.

The questionable future of social security and bulging federal deficits make it prudent for banks to provide for their own. Congress is encouraging retirement-capital formation by providing for IRAs, 401(k) trusts and simplified employee pension plans (SEPs).

This is the good news, but there also is bad news.

TEFRA legislation placed severe restrictions on these plans in terms of eligibility, vesting, contributions, benefit restrictions and limits. The net result is that these plans are required to be nondiscriminatory: They must be applied equitably to almost all employees. This makes any meaningful reward to key officers cost-prohibitive in terms of the expense required to include all personnel. In fact, these plans will provide larger benefits as a percentage of salary to lower-paid employees than to officers.

A nonqualified retirement plan is a benefit that Congress has supported for years. It's nothing new. The only major restriction it carries is that it cover only a select group of management or highly compensated employees!

The tax code sections that govern most of these plans is classified as deferred compensation; however, benefits may be provided without a redirection in a participant's income.

A plan's benefits and participation are selective according to the desires of the bank, not the IRS or the Department of Labor (Revenue Ruling 71-419 extends these benefits to directors). A properly structured plan can provide officers and directors with benefits that

(Continued on page 26)

* *Mr. Mattei also is president, R. S. Mattei & Co., Inc., Monroe, La.*

Deferred Compensation 'Locks in' Director-Bank Relationships

A DEFERRED-compensation plan for bank directors provides a bank with a way to "lock in" a relationship with an individual the bank wishes to retain on its board, says Richard S. Pryor, president, Bank of Jacomo, Blue Springs, Mo.

Such a plan also can be considered as a selling tool to convince a high-income individual to accept an invitation to join a bank's board, he adds.

Bank of Jacomo adopted its deferred-compensation plan for directors in 1980. The idea for the plan came to Mr. Pryor from a member of his staff who had been an insurance agent at one time. This employee was familiar with the deferred-compensation plan offered through IAC Group of Kansas City and recommended that Mr. Pryor and his board consider it.

"There was no resistance from my directors," Mr. Pryor says. He likes the fact that the plan is funded through a life-insurance program that is owned and controlled by the bank. There's no direct tie to the insurance policy (supplied by Phoenix Mutual) in the plan, he says.

Bank of Jacomo's directors see the plan as a way to take a relatively small fee and let it accumulate through the years until it becomes a relatively significant amount when the director reaches retirement age and is likely to be in a lower tax bracket than was the case when the fees were earned.

"The program is a real winner for directors under age 50," Mr. Pryor says. All of the bank's directors under that age are participants.

He cites a suggested scenario for a typical participant: A director gives up — or defers — about $250 in fees per month. When the director reaches age 65, the accumulated fees can provide benefits of about $2,500 per month for 10 years.

Bank of Jacomo's plan runs in five-year increments. At the end of each period, each director has an opportunity to stay with the plan or drop out.

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Dimensional Management Training Used by Centerre To Deal With Behavioral Situations

EMPLOYEE behavior has a vital effect on how a bank performs. It influences efficiency levels, relationships, attitudes, turnover rates — in short, it affects every function of a bank, including its bottom line!

This realization was a factor that prompted management at Centerre Bancorp., St. Louis, to provide Dimensional Management Training (DMT) for management- and supervisory-level personnel of both the holding company and its affiliates, including Centerre Bank.

This year Centerre is observing the 10th anniversary of the DMT program, which, according to Wayne D. Muskopf, HC vice president/senior human resources officer, is "a very usable program that works."

DMT was developed by Psychological Associates, Clayton, Mo., as a form of personnel training that teaches individuals how to manage and supervise effectively by dealing with the behavioral characteristics of themselves and their subordinates. Mr. Muskopf says the training teaches supervisory personnel how to assess another's behavior and deal effectively with others to accomplish the business objective.

Groups of 20-25 personnel are sequestered daily at a hotel for a week of intensive interactive training. During that period they are familiarized with four "quadrants" of behavior created by two continuums: vertically (dominance through submission) and horizontally (hostility through warmth).

Members of each class are divided into working groups of five individuals for role playing that takes them through the four quadrants so they can experience and deal with the types of behavior associated with each. Sessions are videotaped and critiqued.

"Commitment to achieving the most effective mode of behavior is the object of the program," Mr. Muskopf says. Participants tend to take part with enthusiasm because they are assured that everything that takes place in the classroom is confidential. Participants are made aware of the benefits that can be derived from making efforts to understand behavioral characteristics thoroughly so they can adapt their own behavior toward subordinates in such a way as to elicit cooperation and productivity from them.

It is natural that, once an individual understands the four quadrants of behavior, he/she also understands his/her own traits and those of subordinates, peers and supervisors and can deal with them in a way that harmonizes the experience of everyone, thus making their work performance more effective.

Approximately 500 Centerre personnel have participated in the program, including the chairman and president. Each week-long class session is preceded by 30-40 hours of "prework" study from a program textbook.

According to Helen M. Fick, assistant vice president/employee relations, Centerre Bank, the program is designed for one-on-one interaction in the workplace rather than for group action. Ms. Fick is one of two bank personnel certified to teach the program at Centerre. The other is Bob O'Leary.

Ms. Fick says the first day of the program consists of a discussion of the prework assignment and lectures that encourage group participation and a review of the program's concepts. "It's a clarification day," she says, during which questions, concerns and doubts on the part of participants are dealt with.

Role-playing begins on the second day in breakout sessions. During role-playing critiques, videotapes of participants in action are compared with model interactions provided by Psychological Associates.

On the third day, through role-playing, communication skills are practiced and observation skills are sharpened.

On day four the emphasis shifts from generic cases to real-life situations that exist at the HC or bank. Students practice resolving these situations with the intent that the experience gained will enable them to deal more effectively with the actual situation when they are back on the job.

An evening session is held on day four to allow time for team assessment of each individual's behavior. "Critiquing takes lots of time," Ms. Fick says; "and for many is the highlight of the program."

The final day is devoted primarily to developing the assets and liabilities of participants. Ideas are shared for behavior-handling improvement in the management of subordinates and participants are asked to commit themselves to the improvement of their own managerial effectiveness. Individual goal setting and planning for the on-the-job objective are reviewed and refined by each team.

"Participants are grateful for the program, and they often express their thanks," Ms. Fick says.

"Some classes even hold informal reunions," Mr. Muskopf adds.

(Continued on page 69)

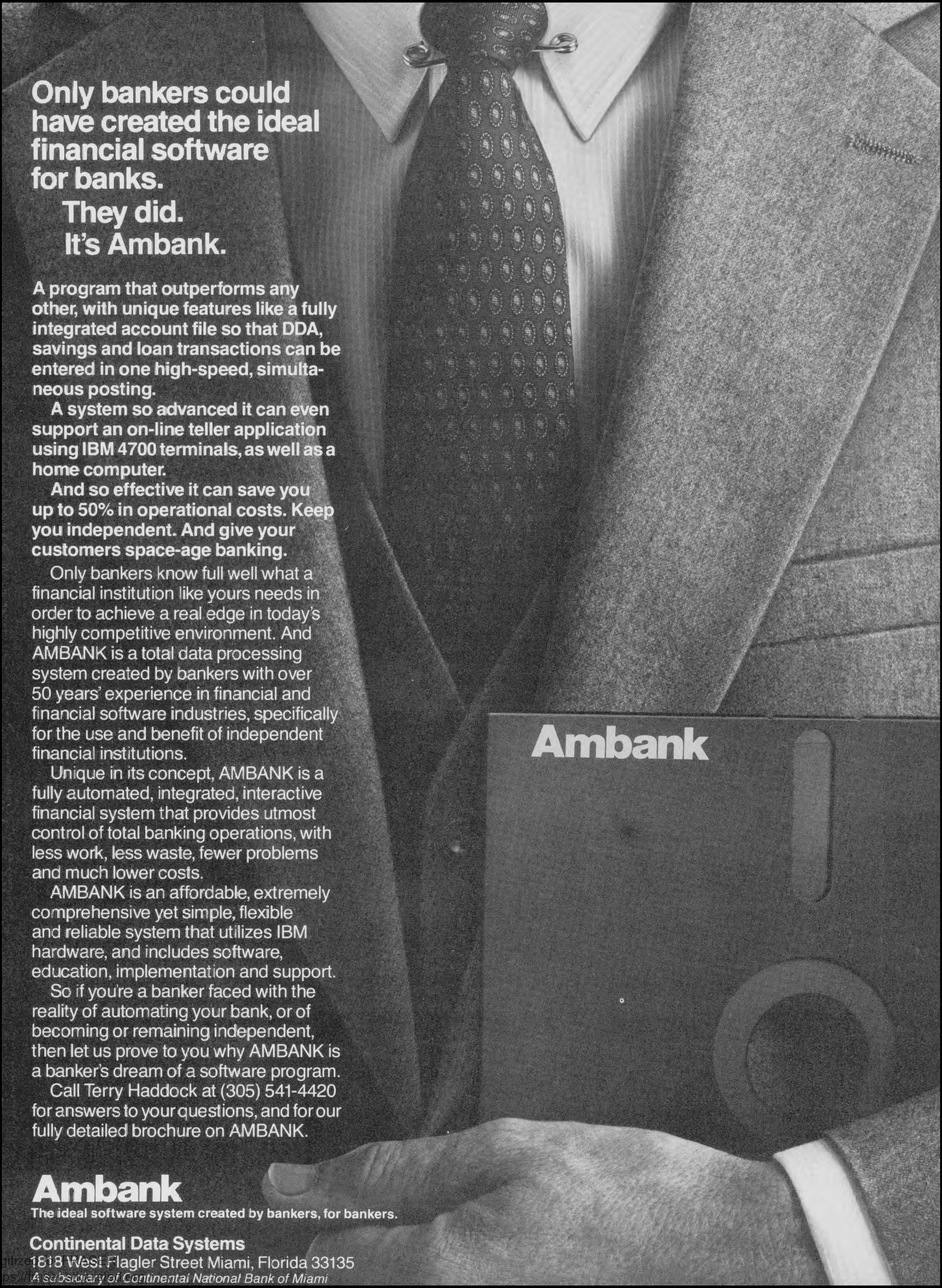
Must a bank be the size of Centerre to offer dimensional management training (DMT) to its employees?

No, says Bob Lefton at Psychological Associates (PA), Clayton, Mo., originator of DMT.

As few as four bank personnel can take a private seminar from PA, he says, with PA coming to the bank to conduct the program. Or banks can send personnel to one of the public seminars PA holds in St. Louis. Five individuals from one bank can be accommodated at a public seminar for the cost of four (tuition is $685 per person).

Banks can join forces with each other or with nonbank firms to put on a seminar or their personnel can be included in a "package" group made up of representatives from various firms in a community.

The cost of sending a PA instructor to a seminar is $3,500, with an additional $200-per-student charge for materials, Mr. Lefton says.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Understanding Adult Learners Must Be First Step In Employee-Training Program

By Jeanne Czarnecki Baird

THE CHANGING competitive environment in the financial-services industry has increased the need for training programs as employees take refresher courses to bring them up to date in a fast-paced environment. More supervisors and managers are being called on to handle classroom and on-the-job training functions as part of their responsibilities.

In preparing employee-training programs, it is important that the trainer understands the characteristics of adult learners in order to design a successful learning experience. Adult-education teachers or trainers often start the training process with the second step of education — the actual teaching. They tend to overlook the most important first step — understanding the learning needs of their adult audience.

Employees participate in training sessions for many reasons. Whether employees receive training to learn a new skill, prepare for job advancement or to improve their job performance, they all have one characteristic in common: All the learners are adult. Research shows that adults approach learning differently from younger-age groups, and recognizing the needs of this audience is a first step to a successful training experience. In school, students study to do well in the course work. However, within a professional environment, the goal of learners is to do well in the job.

Trainers should be aware of some basic characteristics of adult learners:

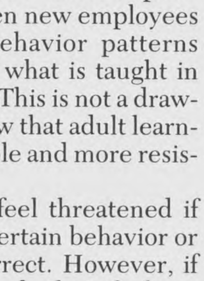
• *Adults must have a desire to learn, and they tend to be more goal-oriented than other students*. Adults need to be shown that the skills to be acquired will enhance their job performance. They want to be able to apply immediately what they have learned to their jobs and careers.

• *Adults have past learning experiences*. During the maturation process, everyone acquires different learning experiences, which may be positive or negative. Regardless of the experience, the adult learner will bring these feelings into the training sessions. It is important for the trainer to be aware of these attitudes and to realize they do not reflect on the trainer's ability.

• *Adults have ingrained habits*. While this may be found typically in employees with more work experience, sometimes even new employees have established behavior patterns that run contrary to what is taught in the training session. This is not a drawback, but it does show that adult learners may be less flexible and more resistant to change.

Participants may feel threatened if they are told that a certain behavior or procedures are incorrect. However, if the trainer understands their feelings and is willing to help them discover the advantages of change, the training experience is likely to be much more successful.

• *Adults tend to relate what they are learning to what they already know*. Adults have learned to relate new information and experiences to prior situations. To a certain extent, everyone does this, but adults have many more experiences to compare and are likely to continue to incorporate new information in this manner.



Jeanne Czarnecki Baird is 2nd v.p., U. S. banking/advisory services, Continental Illinois Nat'l, Chicago, which she joined in 1973. Mrs. Baird started as product mgr., educational services division, became banking officer in 1979 and 2nd v.p. in 1983. She holds a B.S. degree in education from Michigan State University.

Therefore, it is helpful for the trainer to relate new information to familiar situations or procedures. The trainer might say to the participants, "Now you all know how to perform procedure A. What I am going to show you is something like that, but just a bit different." Making these connections gives employees a basis for learning and also makes the training process more comfortable, relevant and less threatening.

• *Adults need to be actively involved in the learning process*. Most adults want to do more than just sit and passively receive information. They like to participate in the learning process and have some impact on the session.

Therefore, the trainer should limit lectures to essential information. At the conclusion, the trainer should ask participants for opinions and to relate this information to their jobs and experiences. In this way, participants are actively involved in learning, and they have a stake in making the training session successful. This also greatly increases the adult learner's retention of the information.

• *Adults want guidance and not grades*. While employees should know how they are doing in a session, they tend to feel threatened by a grading system. It is important for the trainer to remember that most adults will set standards for themselves.

In addition to recognizing that adults have separate learning needs and backgrounds, trainers should be aware of possible barriers to learning.

Learner Anxiety. Anxiety is one of the most common feelings participants bring to the training session. Employees are anxious about changes they may be asked to make, their performance in the training session, how the class will be evaluated and how the

experience may affect their careers. These feelings can influence participants' attitudes.

Some people may feel they were singled out unjustly because they were assigned to special training or they may perceive the assignment as an indication of low performance. They also may think the instructor has been asked to monitor their performance and discuss their progress with their supervisor.

Other participants are uncomfortable talking in front of a group even though it may be small. They are self-conscious about the way they look and sound in front of their peers and will compare themselves to their perception of others around them. Employees with this insecurity also are afraid of making mistakes and find it difficult to answer questions in front of their associates.

For these reasons, anxiety blocks learning. Trainers need to be aware of these feelings and learn to deal with them. It may be difficult to ascertain which employees are feeling anxious. The anxiety may be expressed in their voice tone or choice of words. It may be present in the individual who sits back in his chair pulling himself away from the trainer or the person who constantly looks around the room or at a clock to avoid eye contact.

The skillful trainer should be attuned to these signals, but not take the employee's behavior personally. The employee is reacting to a situation that is uncomfortable, not to the trainer. By remaining calm and comfortably drawing the individual into the training session, the trainer can help individuals overcome anxiety.

If the trainer does nothing to dissipate this anxiety, it can grow into resistance or hostility. The effective trainer can dispel this reaction by drawing the participant's experiences into the training session through open-ended questions. Another effective way to overcome resistance is constantly to reinforce the trainer's role as a facilitator rather than an expert or teacher. In this way, participants will recognize the trainer's role as a helper and not a threat.

Conclusion. Training programs are becoming more important as changes continue in the financial-services industry. Understanding the components of adult learning will help to ensure more effective employee training. At the same time, recognizing possible blocks to the adult-learning process will help the trainer keep the course on track while dissipating individual anxiety.

To meet the increased need for in-house training, Continental Bank has developed a comprehensive "Train the Trainer" course to help its own trainers as well as others. Subjects, including learning needs, learner anxiety, management involvement, evaluating objectives, lecturing and other subjects, are outlined in a workbook and other accompanying educational materials.

In the end, an effective training program will benefit all involved — the employee, the financial institution and the trainer. ● ●

Deferred Comp

(*Continued from page 20*)

are tax deferred until retirement. It also can provide greater benefits than could be achieved without such a plan.

From the banker's viewpoint, a properly designed plan has the following advantages:

- Discriminatory as to participants, benefits, vesting, etc.
- Plan contributions remain an asset of the bank.
- Positive cash flow can be generated.
- Bank earnings can be tax-sheltered by implementing such a plan.

Among bankers who have high opinions of officer deferred-compensation plans is Ward J. Ramsay, president, Peoples Bank, Russellville, Ark. The bank uses a plan put together by D. F. Nash & Associates, Little Rock.

Five bank officers participate in the plan, which has been in place for four years.

Mr. Ramsay says he shopped around for a plan that was best suited for the bank. "The bank comes out way ahead in the long run," he says, "and that's good for the bank!"

* * *

Bank of Cookeville, Tenn., initiated a deferred-fee compensation program for its directors last year. "We were looking for a good tool to retain our directors because they were not eligible to participate in the bank's pension plan," says Charles R. Miller Jr., chairman.

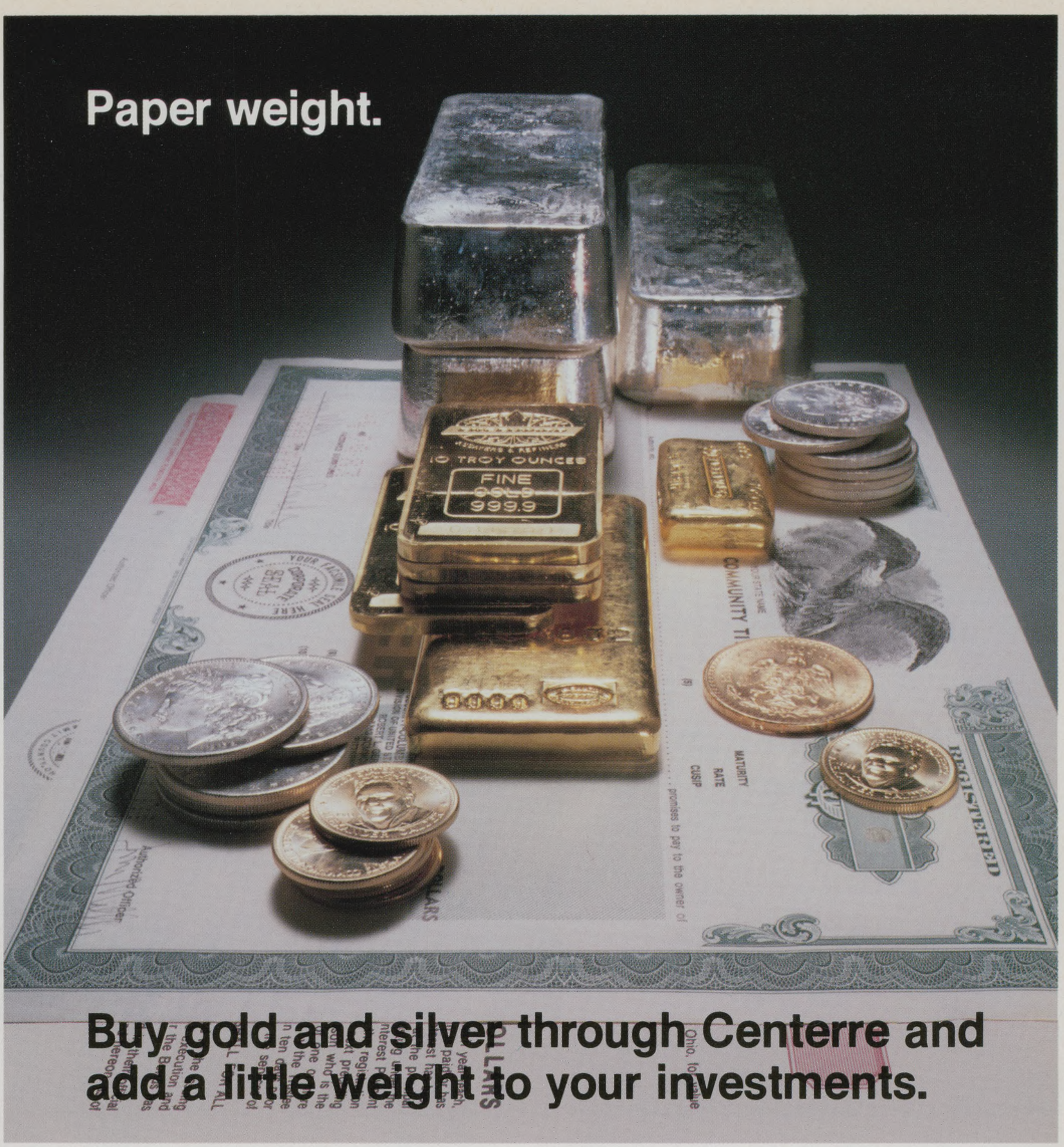
Deferral of fees isn't a big issue with his directors, he says; however, deferred income is "the only tax benefit left for them. And it's a good benefit."

The plan, administered through Executive Planning Group, Monroe, La., covers the bank's directors, two of whom also are bank officers.

Mr. Cooke said he looked at about a dozen plans and the one offered by Executive Planning Group offered the most benefits.

"We're thrilled with the plan," Mr. Cooke says. "It's a super benefit!"

The success of newly formed banks due to the efforts of aggressive officers and directors is well known. Through the concept of nonqualified deferred-compensation plans, individuals who are key to the institution's success can be rewarded in a manner that is good for both the bank and its officers and directors. ● ●



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New Mexico BA Sets Convention For June 13-16 in Albuquerque

TREASURY Secretary Donald Regan has been invited to be keynote speaker at this year's annual convention of the New Mexico Bankers Association. The meeting will be held June 15-18 at the Hilton Inn, Albuquerque.

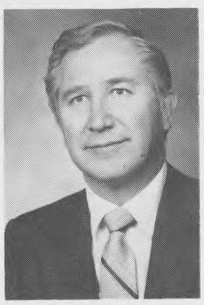
Secretary Regan had not confirmed his appearance at press time.

Other speakers will include New Mexico Governor Tony Anaya, who will deliver the welcome message on Friday, June 15, during the first general session; Jack Jackson, formerly with American Airlines, who will discuss deregulation at the same session; U. S. Senator Pete Domenici (R.,N.M.), who will appear at the second general session on Saturday, June 16; and James Cairns, ABA president-elect, and president, People's Bank of Washington, Seattle, who also will be on the Saturday program.

Charlie Plumb, who spent six years in North Vietnam prisons during the Vietnam War, will speak at the prayer breakfast, which is scheduled for Friday, June 15. Closing luncheon speaker will be Dr. W. C. Newberry, a humorist.

During the convention, the traditional golf and tennis tournaments will be held for men and women. Bridge also will be available for women.

This year marks the 73rd annual convention of the association.



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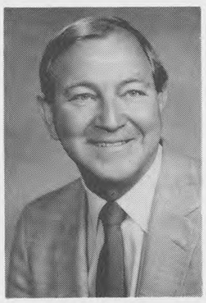
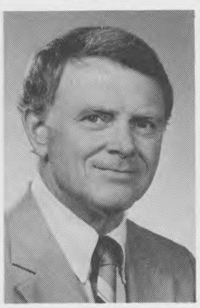


DANIELS



CRAIG

CAIRNS

Heading the NMBA this year is Arthur Ortiz, president, Western Bank, Santa Fe. Serving as president-elect is Jack Daniels, chairman, First National of Lea County, Hobbs, and treasurer is J. W. Craig, president, First Interstate, Albuquerque.

Mr. Ortiz entered the banking profession in January, 1973, when he was elected president, Centinel Bank, Taos. He moved to his present institution in June, 1981, and has served as president/CEO since that time.

Mr. Daniels became a banker in February, 1965, when he was elected chairman of First National of Lea County. He also serves on the boards

(Continued on page S/15)

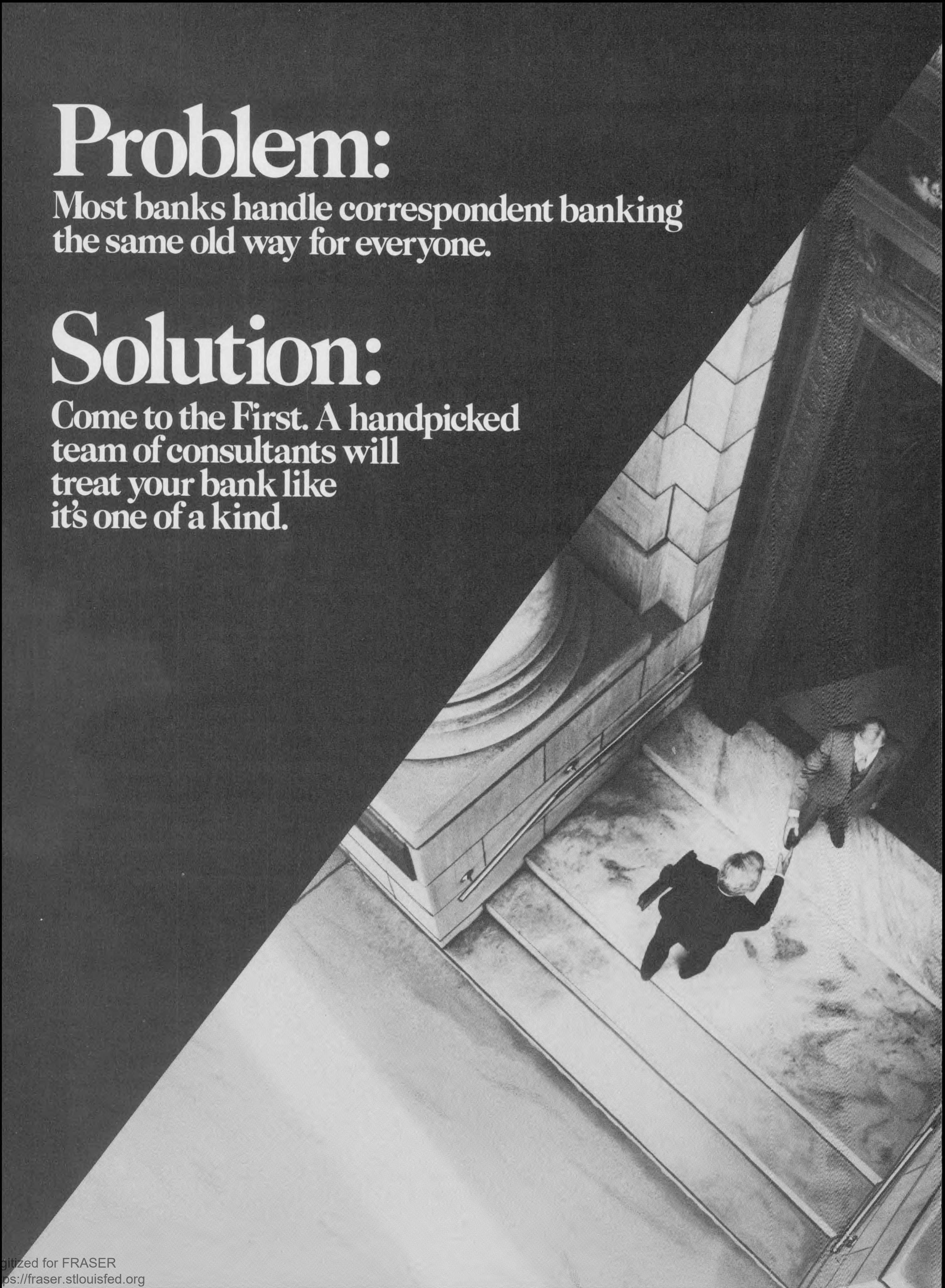
Convention Calendar

Wednesday, June 13
- 2:30 p.m.— Registration Desk Open, Albuquerque Hilton.
- 6:30 p.m.— Past Presidents' Dinner.

Thursday, June 14
- 7:30 a.m. — Men's Golf Tournament, Albuquerque Country Club.
- 7:45 a.m. — Ladies' Golf Tournament, Tanoan Country Club.
- 8:00 a.m. — Men's/Women's Tennis Tournament, Tanoan Country Club.
- 8:00 a.m. — Registration Desk Open.
- 5:30 p.m.— Welcoming Reception.

Friday, June 15
- 7:00 a.m. — Registration Desk Open.
- 7:30 a.m. — Prayer Breakfast.
- 9:45 a.m. — General Session.
- 11:30 a.m. — Women's Luncheon/Style Show.
- 2:00 p.m.— Women's Bridge Party.
- 6:00 p.m.— Reception, Albuquerque Convention Center.
- 7:30 p.m.— Banquet/Stage Show With Della Reese.

Saturday, June 16
- 7:45 a.m. — Buffet Breakfast.
- 9:30 a.m. — General Session.
- 12:30 p.m.— Reception.
- 1:00 p.m.— Luncheon.
- 2:15 p.m.— Adjournment.
- 2:45 p.m.— Board of Directors' Meeting.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NEWS
About Banks & Bankers

ALABAMA

SouthTrust Corp., Birmingham, has announced plans for a major office building in the downtown area. The structure, which has an estimated price tag of $50 million, will be the tallest in the state (29-34 stories high) and will contain a minimum of 550,000 square feet of floor space. Construction will begin later this year, and completion is expected in late 1986 or early 1987.

SouthTrust Bank of Alabama, Birmingham, has promoted Don J. Giardina to vice president and David C. Darby, Patricia J. Cross, Violet Ragland and Bill Brown to assistant vice presidents. Mr. Giardina joined the bank in 1980, Mr. Darby in 1978, Mrs. Cross in 1969, Mrs. Ragland in 1957 and Mr. Brown in 1982.

American National, Gadsden, has merged into AmSouth Bank, Birmingham, and now operates under the AmSouth name. AmSouth has had an office in Gadsden since 1976, when it acquired Bank of Gadsden, located in Gadsden Mall. The AmSouth offices at that mall and at Piedmont Cutoff have been joined with the former American National to provide three full-service offices in Gadsden. Boards of the two banks are being merged to form AmSouth's board in Gadsden.

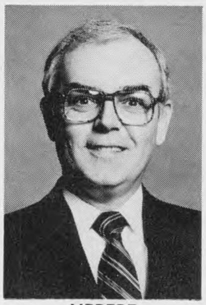
ARKANSAS

Involved in recent changes at First Arkansas Bankstock Corp., Little Rock, are (l. to r.): James P. Jett, D. Eugene Fortson, Edward M. Penick, C. Joseph Giroir Jr. and William L. Cravens.

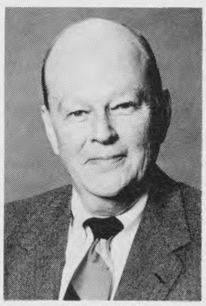
First Arkansas Bankstock Corp. (FABCO), Little Rock, has created an executive committee of the board and elected two new officers and three new directors. D. Eugene Fortson was named FABCO's vice chairman, and William L. Cravens was elected president/director of the holding company. Also elected to its board were Mochtar Riady and James Riady. Edward M. Penick continues as FABCO's chairman/CEO, and Mr. Fortson continues as chairman/CEO, Worthen Bank, a FABCO subsidiary. Named to FABCO's executive committee were Mochtar Riady, chairman; C. Joseph Giroir Jr., vice chairman; James P. Jett, president, Worthen Bank; and Messrs. Penick, Fortson and Cravens. Mochtar Riady is chairman, Lippo Holding Company, Hong Kong, and Mr. Giroir is chairman, Rose Law Firm, Little Rock. James Riady is a director of Lippo Holding Co. and executive vice president, Stephens Finance, Ltd., also located in Hong Kong. Mr. Cravens recently resigned as president, First Commercial Bank, and vice chairman, First Commercial Corp., both in Little Rock.

Becky Upton has been elected vice president, Farmers Bank, Clarksville, where she is responsible for marketing/lobby services. Most recently, Ms. Upton, with the bank 15 years, was assistant vice president, marketing.

INDIANA



LIPPERT



HUGHES

John D. Lippert has been promoted to president, National City Bank, Evansville, succeeding Edgar P. Hughes, who retired after 43 years with the bank. He remains on the board and executive committee. Mr. Lippert joined National City in 1979 and has been a banker 33 years. He formerly was executive vice president.

1st Source Bank, South Bend, has announced these promotions: to assistant vice president/assistant manager, personal/small business lending, James R. Seitz; to manager, Maple Lane Banking Center, Jeffery F. Remble; to assistant vice president/manager, Mishawaka consumer loan department, James M. Grenert; and to assistant vice president/loan counselor/interviewer, South Bend personal loan/small business lending department, Albert C. Irish.

Judy Kirchner has been elected vice president, Midwest Commerce Banking Co., Elkhart, which she joined in 1981. Since 1982, Ms. Kirchner had been branch manager, Oak Manor Banking Center. She also has been promoted to regional manager, branch administration.

Northern Indiana Bank, Valparaiso, has bought the Portage Branch of Peoples Federal S&L, Hammond. The depository relationship of branch customers will remain the same after savings accounts are transferred from Peoples to Northern Indiana Bank, and accounts will be fully insured by the FDIC. Following the purchase, the bank reassigned some officers. Vice President William B. O'Brien has moved to the new Willowcreek Office, which he not only manages, but he also

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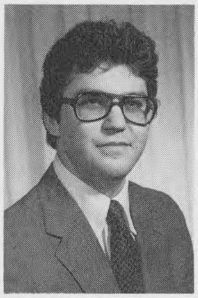
coordinates Northern Indiana Bank's Financial Management Center activities. That division, under the direction of Senior Vice President Lester T. Proctor, is expanding trust/investment services in northern Porter County from the Willowcreek Office. James M. Connors has assumed Portage Central Office management duties in addition to being loan officer at the bank. In other action, Steven R. Yoder has joined Northern Indiana Bank as vice president/marketing director. He formerly was assistant vice president/compliance officer, Second National, Richmond.

KANSAS



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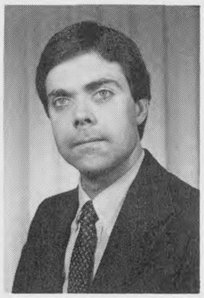


KOEPSEL

Randall Koepsel, customer investment officer, First National, Wichita, has been named a vice president, investment division. He was assistant vice president, investment division. Assistant Vice President Bruce Long has joined the bank's commercial loan division after having served as a correspondent bank division officer since 1979.

Fourth National, Wichita, has formed an international-services area. Its function includes letters of credit, foreign collections, foreign-currency exchange and bankers-acceptance financing. The bank has offered these services separately for some time. Manager of international services, a function of the commercial loan department, is Anna Anderson, recently named international services officer.

Hutchinson National has named George Hupach personnel officer. He joined the bank March 15 from Far-Mar-Co, where he was manager, compensation/benefits.

Kansas State, Wichita, has a new director, Larry D. Fleming. He is owner/president, LARCO Distributing, Inc., a beer distributorship, and co-owner/president, IMP, Inc., which operates 15 Wendy's Old-Fashioned Hamburger restaurants in Kansas and Texas.

Mission Bank and Centennial Bank, both of Mission, were merged April 2 under the Mission Bank's name. Assets of the newly merged bank are about $275 million. The Centennial Bank location in the Marley Building now is the Centennial Facility of Mission Bank.

First National, Olathe, has named Vice President Geoff Butler vice president/trust officer; Garland McCormick, vice president; and Larry Campbell assistant vice president.

Mott L. Randle has joined Arkansas Valley State, Valley Center, as vice president. He replaces Robert Montroy, who retired February 15. Mr. Randle formerly was with Life Insurance Co. of Kansas, Wichita, for five years. Barbara McVay has joined the bank as assistant cashier/marketing representative, going from United American Bank, Wichita. Another newcomer to Arkansas Valley State is Coleen Held, who was named auditor. Ron Darlington has been placed in charge of the computer department, and Mark Dennett heads the newly formed real estate mortgage department.

Died: Merl Markley, vice president/director, Peoples State, Luray.

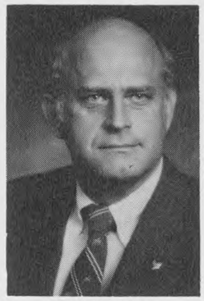
KENTUCKY

F. Jack O'Reilly, head of consumer banking, First National, Louisville, has been promoted to executive vice president. He became a banker in 1951 as a runner for the old Lincoln Bank, which was merged with First National in 1960.

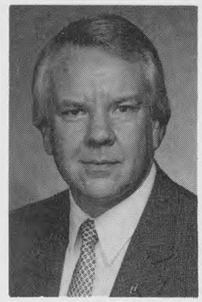
Liberty National, Louisville, has announced these promotions: to assistant cashier, cash management department, Nancy S. DeBell; to trust officer, Jan M. Madison; to assistant trust officers, Rhonda Richardson and Mary E. Dean; and to assistant trust investment officer, Doris Skees.

Douglas M. Lester has been elected chairman/president/CEO, Citizens National, Bowling Green. He formerly was executive vice president, Boone County National, Columbia, Mo. John P. Hines, who was the Bowling Green bank's president/chairman, announced last October that he wanted to take early retirement after 34 years with the bank. He continues as a board member.

MISSISSIPPI



WILLIAMS



CORNETT

Julian C. Cornett and James K. Williams have been promoted to senior vice presidents, Deposit Guaranty National, Jackson. Mr. Cornett, with the bank since 1981, is in the state bank division. Mr. Williams, who joined the bank in 1983, is in the commercial-loan area of Deposit Guaranty in Hattiesburg.

MISSOURI

CRAY

COX

BARRON

Commerce Bancshares, Kansas City, has elected three new directors: Randall D. Barron, Lester L.Cox and Cloud L. Cray Jr. Mr. Barron is president, Missouri division, Southwestern Bell Telephone Co., St. Louis. Mr. Cox is chairman, Modern Distributing Co., Springfield. Mr. Cray is chairman, Midwest Solvents Co., Inc., Atchison, Kan. In other action, Commerce Bancshares has sold Commerce Bank, Brunswick, to a group of Moberly investors.

Mitchell T. Morgan has been promoted to assistant vice president, First National CharterBank, Kansas City. He joined the bank in 1981 and formerly was assistant cashier.

NEW MEXICO

Jerry Ingram, vice president/commercial loan officer, and Bill Bynum, vice president/cashier, have been promoted to senior vice presidents, First City National, Roswell. Mr. Ingram continues as head of the commercial loan department, and Mr. Bynum remains cashier.

Gets Banking Post

SANTA FE — Mary McInerny has been named financial institutions division director, replacing Richard Bosson. She formerly was an assistant attorney general in the state attorney general's office.

Mr. Bosson, a Santa Fe attorney, was named interim director in December to replace Andrew Swarthout.

Harry J. Barren has been named vice president/cashier, First National of Dona Ana County, Las Cruces. He held the same posts at Bank of Ysleta, El Paso, Tex.

United New Mexico Financial Corp., Albuquerque, is the new name of Bank Securities, Inc. The HC has 10 banks statewide, with 41 offices, and a trust company in Albuquerque.

OKLAHOMA

Liberty Nat'l, OC, Named Data-Processing Agent

OKLAHOMA CITY — Liberty National now offers full in-house data-processing service to those banks wanting to keep their data processing on their own premises.

Through a licensing arrangement with Jack Henry & Associates, Monett, Mo., a computer-software firm, Oklahoma banks may have state-of-the-art software support for all their principal services.

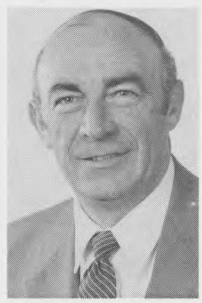
Under the licensing agreement, Liberty National will offer computer software, service and IBM support equipment to banks and other financial institutions, including S&L and credit unions. The agreement makes the bank the exclusive representative in Oklahoma for the Henry company.

Involved in agreement for Liberty Nat'l, Oklahoma City, to be representative for Jack Henry & Associates, Monett, Mo., in Oklahoma are: Jack Henry (l., seated); Bill Smith (top center, l.); Gordon Greer (top center, r.), Liberty's pres.; and Darrell Wood (r., front), s.v.p., data processing.

Because Liberty National previously offered batch/remote-data-capture processing, the addition of the new in-house capability makes the bank a one-stop data shopping center for the financial community, says Darrell Wood, senior vice president, data processing.

K. Gordon Greer, president, Liberty National, Oklahoma City, and 1983-84 president, Oklahoma Bankers Association, has been inducted into the Hall of Fame of the Business Administration School, Oklahoma State University. Only two individuals are inducted each year. Mr. Greer was honored for his achievements in the business world and for his civic service. In being named to the Hall of Fame, he joins another Liberty National executive. Willis J. Wheat, executive vice president, marketing, was inducted in 1975.

GREER



HOSKINS

Ronald R. Hoskins has been named vice president, consumer loan department, Central National, Enid, where he has overall management of consumer-loan activities. Most recently, he was vice president, installment lending, Bank of Northwest, Woodward.

Dennis Hill, vice president, First National, Clinton, has been elected to the bank's board. He has been with First National six years.

Charles D. Swinton and James G. Wolf have been named vice presidents, Liberty National, Oklahoma City. Before joining the bank, Mr. Swinton was vice president, Oklahomans for Modern Banking. Mr. Wolf was employed by Gendein, Vanhooser/Integrated Financial.

First National, Oklahoma City, has elected Martha Burke and Douglas Fuller vice presidents, energy division, and Martin E. Titus vice president, securities marketing. Ms. Burke joined the bank in 1979 and Mr. Fuller in 1980. Mr. Titus has joined the bank from First City National, Houston.

Patience Latting, Oklahoma City's first woman city councilman and later its three-term mayor, has been named to a two-year term on and chairman of the board of the Oklahoma City Branch of the Kansas City Fed. John Snodgrass of Ardmore, president/trustee, Samuel Robert Noble Foundation, was named a director of the same branch to fill an unexpired term. Mr. Snodgrass is a former chairman/CEO, Exchange National, Ardmore.

TENNESSEE

Jack C. McKee has been elected to American National of Chattanooga's board. He is executive vice president/treasurer, McKee Baking Co. Hugh O. Maclellan and Thomas O. Duff, Jr. have retired as active directors and were named advisory directors.

The Fed has approved the application of Chester County Bancshares, Henderson, to become a bank HC through acquisition of Chester County Bank, Henderson.

Brownsville Bancshares Corp. has received Fed approval to become a bank HC through acquisition of Brownsville Bank.

TEXAS

Renee B. Rissman, correspondent banking, Frost Bank, San Antonio, has been promoted to assistant vice president. With the bank since 1976, Ms. Rissman is an operations officer in the correspondent banking department. She was elected correspondent banking officer in 1980. Frost Bank also promoted the following to assistant vice presidents: Karen J. Banks, investment services; Kaye Carpenter, trust investments; Jerry M. Garcia, EDP audit; Jeanette L. Johnson, trust oil/gas; James M. Mullin Jr., cost/planning; Armando F. Polanco, automated customer service; and Skip Fitzpatrick, cash-management services.

RISSMAN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We start with our IBM Micro Computer. Easy to use and maintain — quite simply the best in the business. And we'll make it even better with a substantial savings over retail cost. But that's not where this "little" package ends. We'll also provide you with FDMC-designed software designed specifically for financial institutions. Applications such as Asset/Liability Management, Planning Control System, Fixed Asset Account, General Ledger and more are all yours as an FDMC client.
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405-272-4999

Bob Hope to Head Entertainment At Missouri BA Convention in KC

BOB HOPE will be playing Kansas City next month as the star attraction at the 94th annual convention of the Missouri Bankers Association. When the nation's top entertainer is on your program, do you need anything else?

Yes! say members of the MBA's convention committee, chaired by Richard S. Pryor, president, Bank of Jacomo, Blue Springs. So the committee lined up a few other big names, specifically, William F. Buckley Jr., Barry Asmus and Adele M. Scheele.

The MBA's annual meeting will be held at the Hyatt Regency Hotel, Kansas City, May 22-24. Last year's convention also was in Kansas City; this year's repeat performance in that location breaks the age-old tradition of alternating Kansas City and St. Louis as convention locations. MBA officials stated earlier that a suitable location was not available in St. Louis this year.

As usual, the MBA will begin its convention schedule with golf and tennis tournaments, which will begin at 1 p.m. on Tuesday, May 22. Registration also will begin on Tuesday at the Hyatt Regency.

Registration will reopen and commercial exhibits will open at 8 a.m. on Wednesday, May 23. The first general session will begin at 10 a.m. and will be presided over by Mr. Pryor.

A "state of the association" panel presentation will be followed by a report from the MBA nominating committee and election of officers for the 1984-'85 term. A meeting of Missouri members of the ABA will wrap up the morning's activities.

New 50-Year Clubber

Only one Missouri banker is scheduled to be inducted into the MBA's 50-Year Club at this year's convention.

He is T. J. McCullough, retired president, First Stock Yards Bank, St. Joseph.

The induction luncheon will be held during the convention under the direction of R. Quinn Fox, vice president, Centerre Bank, St. Louis, club secretary.

Convention Speakers

HOPE

SCHEELE

BUCKLEY

The second general session, presided over by MBA President George R. Curry, will begin that afternoon at 2 p.m. Mr. Curry is chairman/CEO, Central Bank, Lebanon. Keynoter William F. Buckley Jr. will deliver the keynote address. He will be followed by Adele M. Scheele. Mr. Buckley is a noted publisher and author; Dr. Scheele is a career-development specialist.

The third general session is set for 10 a.m. on Thursday, May 24. It will feature Barry Asmus, a member of the faculty at Boise (Idaho) State University, and a spokesman for free-market, limited-government economics. A panel will discuss issues in the Missouri financial marketplace.

The fourth general session will begin at 2 p.m. that afternoon. Tentative plans include a gubernatorial forum featuring all candidates running in the primary election.

The convention will wrap up with the traditional president's cocktail party and banquet, during which Mr. Hope will entertain.

Assisting Mr. Pryor on the convention committee is Frank Spinner, vice chairman, who is chairman/CEO, County Bank, St. Louis.

Others on the committee (all from Kansas City) include L. Dean Howard, vice president, First National Charter-Bank; C. Gerald James, president, Boatmen's North Hills Bank; Mary Neptune, vice president, Boatmen's Bank; Barbara Pendleton, executive vice president, United Missouri; Dennis Riffle, vice president, Mercantile Bank; Russell L. Ruth, president, Mercantile National of Clay County; William J. Sprenger, vice president, Commerce Bank; Phillip Straight, executive vice president, United Missouri; and Frank Victor, chairman/president, North Kansas City State.

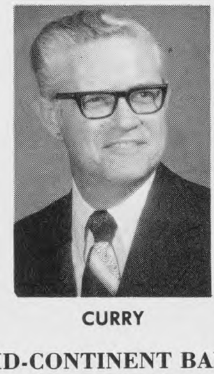
MBA President George Curry Wraps Up Year at Convention

MBA President George R. Curry, chairman/CEO, Central Bank, Lebanon, will wrap up his year as MBA president at the association's annual convention May 22-24 in Kansas City.

He will preside at several business sessions during this year's convention program.

Mr. Curry began his banking career in 1949 at his present institution, although it then was called State Savings Bank, Lebanon. He was promoted to assistant cashier in 1950 and has been chairman/CEO since 1965.

Serving as MBA vice president is William W. Quigg, president, Central Trust, Jefferson City. He served as general counsel/lobbyist for the MBA in the late 1960s and has served on the



CURRY

QUIGG

A SPECIAL TRIBUTE TO HARRY S. TRUMAN

100 years ago a farm boy was born to John and Martha Truman in Lamar, Missouri. This boy next door was destined to become a folk legend and a national hero in the coming years.

Of his father, Mr. Harry Truman would frequently say, "My father was not a failure. After all, he was the father of a president of the United States of America."

He was not so kind, however, when he referred to the unknown ancestry of a New York music critic's review of his daughter's piano playing abilities.

Perhaps the most revealing insight into his character is the now famous sign that once stood on his desk in the Oval Office. It simply read, "The Buck Stops Here."

This year, the entire nation is commemorating the Truman Centennial. Central Bank of Jefferson City joins in that celebration.

Central Bank

Member FDIC

The new Truman Building in Jefferson City. Dedicated April 4, 1984.


MOSER


CRAWFORD

MBA government-relations and taxation committees. He joined Central Trust in 1969 following service to the Missouri General Assembly as revisor of statutes. He recently was appointed chairman of the Missouri State Banking Board.

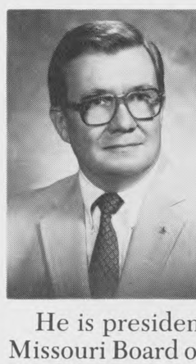
Serving as MBA treasurer is James C. Moser, who is president, Bank of Poplar Bluff. He joined his bank in 1974, going there from Citizens Bank, Jonesboro, Ark., where he was legal counsel and commercial-loan officer. He had been an attorney for a number of years prior to entering banking.

Robert W. Crawford has served the MBA as its executive vice president since 1977. He is a former president of the Association of General Merchandise Chains, and prior to that, was a Missouri state representative. He also is a former Missouri secretary of state.

David Lewis Is Nominated For MBA Treasurer Post

David W. Lewis, chairman/CEO, United Missouri, St. Joseph, has been nominated for MBA treasurer for the 1984-'85 term.

Mr. Lewis began his banking career in 1954 at First National, St. Joseph. He moved to United Missouri (then known as Park Bank) in 1966 as president/CEO. He received his present title in 1983.


LEWIS

He is president of the University of Missouri Board of Curators and holds a BS degree in business administration from UMC.

His election will take place during the MBA convention in Kansas City. He is expected to succeed James C. Moser, president, Bank of Poplar Bluff, who has been nominated to be

MBA vice president, the post being vacated by William W. Quigg, president, Central Trust, Jefferson City, who has been nominated as MBA president for the new term.

County Bank of Tower Grove, St. Louis, has elected William A. Sullins Jr. chairman/CEO and John J. Thiebauth president. Mr. Sullins formerly was president and continues as chairman, Commerce Bank, St. Louis. Mr. Thiebauth joined the Commerce organization in 1981 and has served as president, Commerce Bank, St. Louis, and executive vice president of the merged Commerce and Commerce-Manchester banks, St. Louis.

First National, St. Joseph, has named Steve Tyrrell a vice president, Richard Garvey a commercial loan officer and Jeff Harrison a vice president in the agriculture/correspondent department. Mr. Tyrrell formerly was with American National, Baxter Springs; Mr. Garvey was with Drovers Mercantile Bank, South St. Joseph; and Mr. Harrison was with First National, Salina, Kan.

William W. James has been promoted from vice president to senior vice president, Boatmen's National, St. Louis, where he is in charge of the trust division's estate-planning section. He joined the bank in 1972. Boatmen's also elected Frederick Carl Schumacher Jr. trust officer, investment department, trust division. Before joining Boatmen's, Mr. Schumacher was president, Hickey-Mitchell Co.


HARRISON


JAMES


BASS

R. Kenneth Bass Jr. has joined Gravois Bank, St. Louis, as senior vice president responsible for commercial lending. He formerly was with Centerre Bank, St. Louis, as manager, Missouri/Arkansas section, correspondent banking division.

The Fed has approved Landmark Bancshares Corp. of St. Louis' offer to purchase for cash all the 389,538 outstanding shares of First National, St. Charles, at a price of $53 a share. Landmark anticipated the closing of its acquisition to become effective May 1.

County Bank of St. Louis, Clayton, has elected Jac E. Griswold and Pamela Tezon Hill vice presidents. Mr. Griswold joined the bank in 1967, and Mrs. Hill transferred to County Bank in February from Commerce Bank, St. Louis. County Bank is an affiliate of Commerce Bancshares, Kansas City.

The FDIC has approved the merger of two of the subsidiary banks of Boatmen's Bancshares, St. Louis — Boatmen's Bank of St. Louis County and Boatmen's West Port Bank. The surviving bank is Boatmen's Bank of St. Louis County, with total assets of about $220 million. Richard C. Jensen is president/CEO.

Centerre Bank, St. Louis, has awarded Kuhlmann Design Group, Inc., St. Louis, a contract to design its new Centerre St. Peters facility. The one-story structure will include 3,800 square feet of space and will have four teller stations, two personal bankers, a safe deposit vault, conference room and manager's office, as well as an enclosed walk-up automatic teller machine. Four drive-up lanes will be included, with expansion capability to eight lanes.

Mercantile Trust, St. Louis, has appointed David W. Carter, Pat R. Mobley, Jerome P. Shaw Sr. and Donald J. Wilson vice presidents and Charles F. Clement, H. Jill Fivecoat and David M. Dennehy assistant vice presidents. Mr. Carter went to Mercantile in 1969, Mr. Mobley in 1966, Mr. Shaw in 1956, Mr. Wilson in 1973, Mr. Clement in 1982, Ms. Fivecoat in 1980, and Mr. Dennehy just recently.

Dick H. Woods Jr. has rejoined the Kansas City Fed as vice president/general counsel. Mr. Woods left the bank in February, 1983, to join a Kansas City law firm. In other action at the Kansas City Fed, John E. Yorke moved up from assistant vice president to vice president, with responsibility for bank-HC supervision in the 10th Federal Reserve District. Charles L. Bacon Jr. was promoted from assistant general counsel/assistant secretary to associate general counsel/secretary.

Interactive Market Data

The Financial-Market-Information System (FMIS) at St. Louis' Centerre Bank allows users on IBM 8775 terminals to access all information from the bank's IBM 8140 computer, says John W. Rowe, s.v.p. and head of the investment banking department. Bank-sales employees now can provide accurate, timely answers to customers' investment questions, from CD rates to gold prices, simply by referring to the appropriate category in the system. FMIS "creates an atmosphere much more conducive to trading and selling," explains Mr. Rowe, who also is chairman of Centerre's funds management committee. FMIS involves a network of IBM video-display teminals linked to a central IBM computer. Typically, traders put into the system data that sales people use to improve contacts with customers.

'Pursuit of Excellence' Is Theme Of Indiana Bankers Convention

"PURSUIT of Excellence" is the theme of this year's Indiana Bankers Association convention, which will be held in Indianapolis June 12-14. Every third year, the convention moves to the capital city, making use of the Convention Center/Hoosier Dome.

Convention planners say the pursuit of excellence has proved to be an elusive goal throughout the ages. It's sought by many, but obtained by few — and it's never won easily. It's the result of much hard work — of "going the extra mile."

The 87th annual IBA convention has been planned to explore the many definitions of pursuit of excellence. These definitions now are shifting and expanding and new forces are defining the role banking will play in tomorrow's marketplace.

Invitation-only events are scheduled for the day prior to the opening of the convention — Monday, June 11. The IBA board will meet at 3 p.m.; a joint reception honoring IBA past presidents and members of the 50-Year Club (and separate dinners for the two groups) will begin at 7:30 p.m.

Bankers will have opportunities to display their athletic excellence on opening day — Tuesday, June 12 — when they participate in golf and tennis tournaments at the Sycamore Springs Golf Course and the Indianapolis Racquet Club, starting at 8:30 a.m.

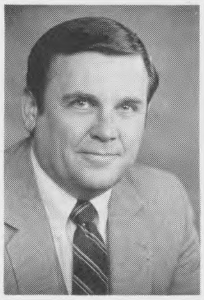
A women's tour of the Indianapolis Museum of Art will depart from the Hyatt Regency Hotel at 1:30 p.m.

One hundred exhibitors will show their wares to delegates when the IBA trade show opens at 3 p.m. Registration (which also begins at 3 p.m.) will be in the exhibit area. Bankers are advised to bring 100 business cards to facilitate registering at exhibitor booths for prizes to be awarded during the convention.

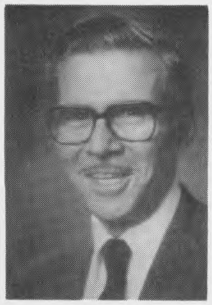
The evening will be reserved for correspondent bank activities.

Serious business will be on tap for delegates on Wednesday, June 13.

The first business session will start at 9:30 a.m. Bob Richards, winner of two Olympic gold medals, will be keynoter. He will reveal "The Secrets of a Winner," presenting his philosophy of achievement.



KING



ALEXANDER

A panel discussion on "Improving Bank Performance," will take up the balance of the morning program. It will feature representatives of three consulting firms: Profit Technologies Corp., Sick & Co. and Larry Heine Associates.

A session for women will begin at 9:30 a.m. and will feature Frank Basile, a motivator, who will speak on "Signs of a Healthy, Positive Self-Concept." Concurrent sessions on interior design, flower arranging and creative cooking will be offered from 10:45 a.m. to noon.

The president's luncheon will include installation of new IBA officers and an address by Charlie Plumb, who endured six years in a Communist prison camp in North Vietnam.

A dessert extravaganza will be held in the exhibit area at 1:45 p.m., and a shopping tour will start at 2:15 p.m.

Concurrent workshops will start at 3:30 p.m. and continue until 5 p.m. David Thurman, vice president, First National, Richmond, will tell about the use of micro-computers in banks; Jerome Frankowiac, Financial Technology, Chicago, will discuss asset/liability; James Montague will present relationship banking; and the three consultants from the morning panel will continue their discussion of improving bank performance.

The evening activity will be an "Evening at the Pops" that will include a reception, dinner and concert by the Indianapolis Symphony Orchestra.

Final convention day — Thursday, June 14 — will begin with the annual Indiana BankPac convention breakfast at 8 a.m. Spouses will be invited to brunch from 8:30-10:30 a.m. at the Ayres Department Store.

The business session will feature Barry Asmus, Willis Alexander and Lezlie Heath. Dr. Asmus is a free-market economist on the faculty of Boise (Idaho) State University. His topic: "The Economics of Reality." Mr. Alexander is ABA executive vice president and Ms. Heath hosts a daily fitness program on TV in Indianapolis. Her topic: "Excellence Through Exercise and Diet." • •

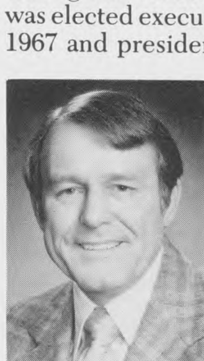
William King to Address Indiana Convention in June

Indiana Bankers Association President William H. King, chairman/CEO, Second National, Richmond, will address delegates during the IBA's annual convention June 12-14 in Indianapolis.

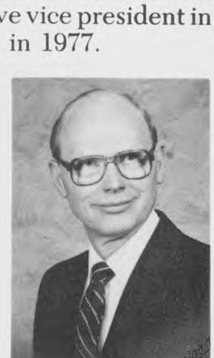
Mr. King entered the banking profession in 1958 at Terre Haute First National. He joined Second National, Richmond, in 1965 as assistant trust officer. He has served as chairman/CEO since 1982.

Serving as IBA vice president is Robert W. Hill, president, National Bank, Greenwood. Mr. Hill became a banker in 1948 when he joined Rockville National. He moved to his present bank 10 years later, was elected cashier in 1959, vice president in 1964, executive vice president in 1966 and president in 1977.

IBA treasurer is Charles E. Stanley, president, Farmers National, Remington. He joined his bank in 1963, following service at Albion National. He was elected executive vice president in 1967 and president in 1977.



HILL



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Paper products. Bank bags. Just a part of the complete line of Brandt money handling products.

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Deregulation won't go away.

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The question is, are you?

Mergers, acquisitions, regional networks, "non-bank" banks. Today's fierce competition brought on by deregulation is just a taste of what's to come.

A leading consultant estimates that the number of U.S. banks will decline from 15,000 to 9,600 within this decade alone.

You need foresight to survive. One strategy for success is a franchise from First Interstate Bancorp.

Franchising:

When you adopt the First Interstate Bank identity, you take advantage of the resources of the seventh largest banking organization in the nation with assets of over $44 billion. Together with our franchisees, we have over 1,000 offices covering fourteen states and that makes us the largest retail banking system in the country.

Yet with all of this, you still retain complete ownership, independence and local control of your bank.

It all adds up to one fact: you will be able to compete successfully in the financial services marketplace of today...and tomorrow.

Franchising:
a key to remaining competitive.

First Interstate is a recognized leader in developing banking services and delivery systems: Such as on line branch support systems, home banking, debit and credit card products, ATM networks, point of sale, and much more. And

Bankers who think it will, will.

all are available to franchisees. Most important, they're available without the huge research and development costs often associated with the introduction of new technologies.

<u>Franchising:</u>
<u>the proven alternative</u>.

We have proven our strength in the marketplace. Just a few examples: after our own name change in 1981, new account activity and market share throughout our system increased dramatically. The First Interstate franchise in Alaska more than doubled its new account activity in the first two months after name change. Within a three month period, our Hawaii franchise increased ATM transaction volume by 137%. A community bank in Golden, Colorado is benefiting from multi-million dollar First Interstate national advertising.

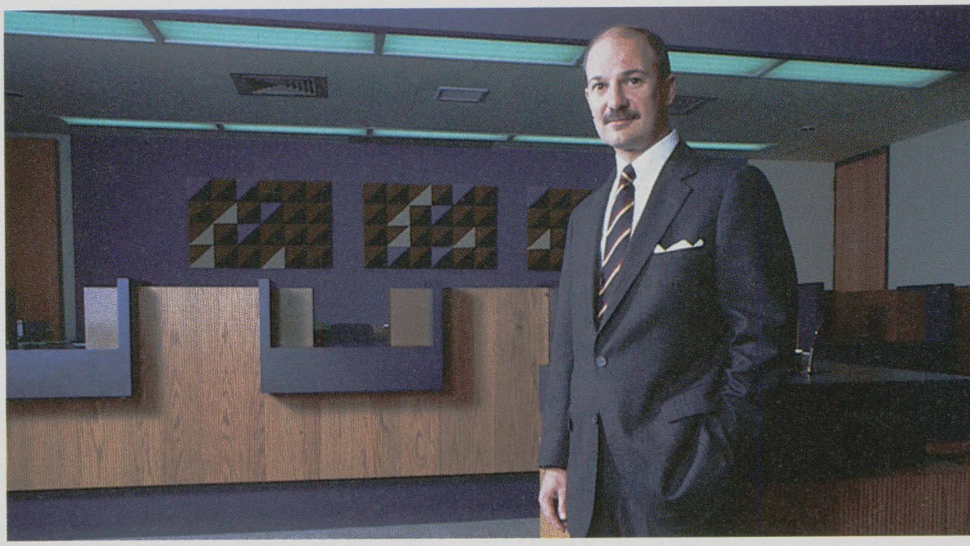
Find out more about the franchise alternative by calling John Dean, President, First Interstate System, Inc. (213) 614-3043.

Because what you don't know about franchising could cost you your bank.

First Interstate® Bancorp

Imagine having three contractors on your board and finding a plan-design-build firm all agreed was right for your new building.

"I congratulate HBE," says Drew Karandjeff, Jr., executive vice president of Granite City Trust Company, Granite City, Illinois, in the metro St. Louis area. "It's quite an accomplishment to be picked by a board of experts. And the building trades experts on our board agreed unanimously that the HBE choice would be clearly advantageous to us."



"We've absorbed 50% of main-bank volume with only seven people."

"We saw in HBE an intimate knowledge of the banking industry that could lead us to all the efficiencies. The building design, layout and work flow of this full-service branch facility are a direct result, and we are achieving strong growth now very quickly."

"What a refreshing surprise to find a cooperative spirit. HBE has it."

"Nothing burns me more than a high-hat attitude. I've been through that before in other projects. When we discovered HBE, we were delighted—all of us—with their totally open and candid attitude, their honest dedication and determination to deliver a real value. Planning was logical and we enjoyed full participation. Our top management was not burdened with details—we could trust HBE. Their on-site project manager took the job to heart, and we finished ahead of schedule. There was good cooperation between HBE and local labor. Being an outsider was no problem—they worked well together. Getting the job done right produced real economies for us."

You should get in touch with HBE.

It's easy to confirm what Mr. Karandjeff is saying when you talk to us, here at HBE. Before your next project, be sure to evaluate us yourself. Call or write Sally Eaton at **314-567-9000**. HBE Bank Facilities, 11330 Olive Street Road, St. Louis, Missouri 63141.

HBE
Bank Facilities

You can't afford not to look at HBE.

Bush Task Group Recommendations On Tennessee Convention Program

THE PROGRAM for this year's annual convention of the Tennessee Bankers Association will cover a variety of topics, including the Bush Task Group's recommendations for the banking industry, the quality-circle concept of management, an analysis of finance and economics and a report on the Washington, D. C., legislative scene.

The convention will be headquartered at the Hyatt Regency, Knoxville, and will run from May 20-23.

The calendar for Sunday, May 20, includes opening of registration and exhibits in the Hyatt lobby at 1 p.m. An insurance-committee meeting will be held at 3 p.m.

Activities for Monday, May 21, will begin with opening of registration and exhibits at 8:30 a.m. The women's hospitality room will open at 9 a.m.

The first general business session is set to start at 9 a.m. It will feature ABA Chairman William H. Kennedy Jr. with a report on the Washington scene. Mr. Kennedy is chairman, National Bank of Commerce, Pine Bluff, Ark., immediate past president of the ABA, past chairman of the ABA government-relations council and a past president of the Arkansas Bankers Association.

Also on the program is the president's address, delivered by TBA President James H. Shelton, president, Somerville Bank; and a talk by Frank Cappiello, finance/economics analyst, lecturer at Johns Hopkins University, vice president of Monumental Corp., and a regular panelist on "Wall Street Week" on the Public Broadcasting System.

Two events for women will be held during the morning hours: a color analysis session at 9:30 a.m., and a spouses' shopping tour at 10:45 a.m.

A luncheon for the TBA board will begin at 12:15 p.m. Delegates will have the option of participating in golf/tennis tournaments at the Fox Den Country Club during the afternoon.

The evening activity will be a reception, starting at 6:30 p.m.

A convention-wide breakfast will rouse delegates early on Tuesday, May 22. The event will begin at 7:30 a.m.

William H. Kennedy Jr., will discuss the Washington scene during the first general business session of the TBA convention.

and will continue until the second general business session begins at 9:30 a.m. Exhibits will open at 8:30 a.m. and the registration desk will operate from 9 a.m.-3 p.m.

The business session will feature Richard C. Breeden, deputy counsel to Vice President George Bush. His topic will be "The Bush Task Group: Recommendations for the Future." Mr. Breeden is sponsored by the University of Tennessee distinguished lecturer program. Marvin T. Runyon, president/CEO, Nissan Motor Manufacturing Corp. USA, will speak on the quality-circle concept of management. He is a veteran of 37 years of service with Ford Motor Co., where he was vice president/body and assembly operations.

New officers will be elected and proposed changes in the TBA bylaws will be discussed during the balance of the session.

A spouses luncheon will begin at noon.

Evening activities will include a reception at 6:30 p.m. followed by the annual banquet and induction of officers at 7:30 p.m. Entertainment will be by singer Louise Mandrell.

The closing convention activity will be the traditional fellowship breakfast, starting at 7:30 a.m., on Wednesday, May 23. Frank H. Bulle, minister of Bartlett United Methodist Church, will be the featured speaker. ● ●

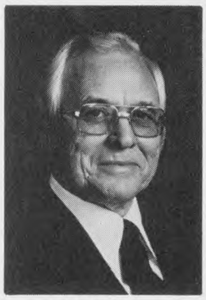
J. H. Shelton Will Preside At Tennessee Convention

Presiding over the general business sessions of the 94th annual Tennessee Bankers Association convention this year will be J. H. Shelton, TBA president and president, Sommerville Bank.

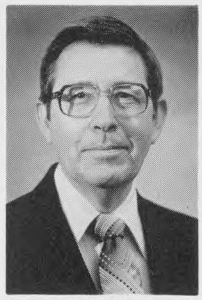
Serving with Mr. Shelton during the 1983-'84 term are Virgil H. Moore Jr., TBA president elect, who is chairman, First Farmers & Merchants, Columbia; J. W. Hudson, TBA first vice president, who is president, Bank of Madisonville; Ray U. Tanner, association second vice president, who is president, Jackson National; and Robert M. Gilliam, TBA treasurer, who is TBA executive vice president.

W. H. Swain, chairman, First National, Oneida, is TBA chairman.

Mr. Shelton has been with Somerville bank for 17 years and has served as the institution's president for the past 15 of those years. Prior to that, he was a trustee of Fayette County, a position he held for 14 years. His bank



SHELTON



MOORE

TANNER

SWAIN

GILLIAM

HUDSON

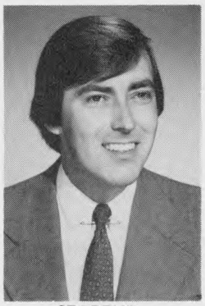
has been cited by the Bank Administration Institute as one of the nation's top institutions in terms of financial performance.

Mr. Moore has been with First Farmers & Merchants National since 1954. He is an advisory director of the ABA's community-bankers division, member of the executive committee of the ABA's bank-investment division, state director of the Independent Bankers Association of America and a past director of the Atlanta Fed (Nashville Branch) and the independent bankers and national bank divisions of the TBA.

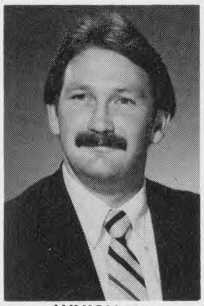
Mr. Hudson has been in banking since 1965. He was with the State Department of Banking for six years, examining banks in east Tennessee. He joined Bank of Madisonville in 1970 as president, is a director of the Sweetwater Hospital Association, Monroe County Industrial Development Council and a past president of the Madisonville Kiwanis Club.

Mr. Tanner began his banking career in 1960 with National Bank of Commerce, Memphis. He rose to the position of vice president before leaving NBC to join Jackson National in 1970 as its president. He has attended the Stonier Graduate School of banking at Rutgers University and has completed both the community bank executive-officer program through the ABA and a study course for management-data processing at Purdue University. He is a member of the administrative committee and the government-relations council of the ABA and has participated in the ABA's banker-adviser program.

Mr. Swain has been with First of Oneida since 1959, the year he was named president of the institution. He added the title of chairman in 1981.



STARTUP



WHISMAN

William T. Startup and L. Wayne Whisman, assistant vice presidents, correspondent bank department, Third National, Nashville, have been promoted to vice presidents. Mr. Startup joined Third National in 1970 and Mr. Whisman in 1980.

Union Planters National, Memphis, has promoted David W. Autry, audit division; Thomas R. Lawrence, investment banking group; and Marion Don Winbush, Tennessee banking division, to vice presidents and Homer L. Brown and Kathey E. Leggett, loan administration division, and James M. Mogan, investment banking group, to assistant vice presidents. Joining the bank as vice presidents are: Irwin M. Berger, Union Planters Futures Corp.; Donald W. Conrad, InnoVision, Inc., and Russell F. Allen Jr., Prophet Counsel, Inc. Newly hired assistant vice presidents are: John W. Lewis, loan administration division, and Steven W. Reynolds, investment banking group.

Jerry H. Swetland has joined First State, Brownsville, as executive vice president. He formerly was vice president, commercial loans/investments, Fidelity Bank, Oklahoma City. Also at First State, Robert Y. Moses was promoted to senior vice president/trust officer, Helen Fisher to cashier and head of the bookkeeping department and Betsy English to assistant cashier. Mr. Moses joined the bank in 1974, Ms. Fisher in 1970 and Ms. English in 1981.

ABA, State Officials on Program For Mississippi BA Convention

THE ABA's Gerald M. Lowrie, executive director/government relations, and Mississippi Lieutenant Governor Brad Dye will be featured speakers at this year's annual convention of the Mississippi Bankers Association, which will run from May 17-20 in Biloxi.

The convention's general business session will begin at 8:30 a.m., on Saturday, May 19, in the Coronet Room of the Broadwater Beach Hotel, which, along with the Biloxi Hilton Hotel, are the official convention hotels.

The business session will be presided over by MBA President Robert E. Kennington II, chairman, Grenada Bank.

The following agenda has been set for the session:

- Treasurer's report by MBA Treasurer M. F. Kahlmus, chairman/president, Merchants & Farmers, Meridian.
- Young Bankers' Section report by YBS President William D. Sones, President, State Bank, Brookhaven.

Gerald M. Lowrie, ABA executive director/government relations, will appear on the MBA program.

Recognition will be given to the following:

- Donald L. Moak, head of the MBA chair of banking at the University of Mississippi.
- Oliver McLean, president, Bank of Simpson County, Magee, chairman, MBA agricultural committee.
- Luther R. Boyd, general counsel, First Mississippi National, Hattiesburg, MBA bank attorneys committee chairman.
- Clyde B. Edwards Jr., executive vice president, First National, Jackson, MBA bank lending/credit administration committee chairman.
- V. E. Berbette, chairman, First Citizens National, Tupelo, MBA funds management committee chairman.
- Lagrone Mortimer, president, Bank of Kilmichael, MBA group insurance committee chairman.
- Rebecca N. Vaughn, vice president/marketing, Brookhaven Bank, MBA marketing committee chairman.
- Martha Taylor, senior vice president/cashier, National Bank of Commerce of Mississippi, Starkville, MBA Mississippi School of Banking board chairman.
- Frank Garner, Tupelo, MBA operations/automation committee chairman.
- Joseph D. Garrick III, Grenada, MBA personnel committee chairman.
- William H. Mounger Jr., senior vice president/trust officer, First National, Jackson, MBA trust committee chairman.

The following reports will be called for:

- MissBankPAC, by Bobby P. Martin, chairman/president, Peoples Bank, Ripley.
- MBA state legislative committee, by C. Willis Connell Jr., chairman/president, United Southern Bank, Clarksdale.
- MBA federal legislative committee, by Howard L. McMillan Jr., executive vice president, Deposit Guaranty National, Jackson.
- MBA CEO seminar committee, by Raymond L. Davis, president, Brookhaven Bank.
- President's address and executive committee report, by Robert E. Kennington II, MBA president.

Mr. Kennington also will present certificates to Mississippi bankers qualifying for membership in the 40-year and 50-year clubs.

Mr. Lowrie will speak to bankers on

Convention Calendar

Thursday, May 17

8:30 a.m.— Tennis Tournament, Hilton and Broadwater Tennis Courts.
9:00 a.m.— Registration opens, Hilton Lobby.
11:00 a.m.— Luncheon, Hilton Grand Ballroom.
Noon— Golf Tournament, Broadwater Sun Course.
4:00 p.m.— Oyster Bar, Hilton Grand Casino.
5:00 p.m.— Party, Hilton Tropicana Ballroom.

Friday, May 18

8:00 a.m.— Breakfast for School of Banking of the South graduates, Broadwater Vogue Room
9:00 a.m.— Registration, Hilton Lobby.
9:30 a.m.— Tennis Finals, Broadwater Tennis Courts.
3:30 p.m.— Party, Hilton Condominium Pool Area.
7:00 p.m.— Presidents' Dinner, Broadwater Vogue Room.
10:00 p.m.— Nightcap Reception, Broadwater Crown Room.

Saturday, May 19

8:00 a.m.— Registration, Hilton Lobby.
8:30 a.m.— General Business Session, Broadwater Coronet Room.
9:30 a.m.— Women's Breakfast, Broadwater Crown Room.
11:30 a.m.— Party, Hilton Grand Ballroom.
4:00 p.m.— Oyster Bar, Broadwater Crown Room.
6:30 p.m.— Social Hour, Mississippi Coast Convention Center Arcade/Foyer.
7:30 p.m.— Bankers Barnstorm, Mississippi Coast Convention Center Banquet Hall.
10:00 p.m.— Party, Hilton Hotel.

HANCOCK BANK STATEMENT OF CONDITION MARCH 31, 1984

Condensed Statement Showing the Condition of Hancock Bank as of March 31, 1984

RESOURCES

Loans and Discounts		$195,962,061
United States Bonds and Securities		210,489,159
Other Bonds and Securities		62,935,698
Federal Funds Sold		14,730,000
Banking Houses, Furniture & Fixtures		20,848,021
Other Real Estate		1,248,727
Other Assets		12,690,141
Cash and Sight Exchange		36,046,810
TOTAL ASSETS		$554,950,617

LIABILITIES

Capital Stock	$ 4,201,830	
Capital Notes	480,000	
Surplus	30,600,000	
Undivided Profits	2,997,934	
Reserve for Contingencies	1,681,259	
Total Capital Accounts		$ 39,961,023
Other Liabilities		16,249,715
Federal Funds Purchased		7,586,000
Deposits		491,153,879
TOTAL LIABILITIES		$554,950,617

Call Hancock Bank at 601-868-4000 to see how we can serve any correspondent banking need in South Mississippi.

HANCOCK BANK

One Hancock Plaza, Gulfport, Mississippi 39501, Member FDIC

EXCUTIVE MANAGEMENT OF HANCOCK BANK

Donald E. Sutter
Chairman of the Board

Leo W. Seal, Jr.
President and C.E.O.

Walter C. Hinkle, Jr.
Executive Vice President

George A. Schloegel
Executive Vice President

Charles A. Webb, Jr.
Executive Vice President

C. E. Hutchins, Jr., CCL
Senior Vice President

O. K. Lion
Vice President & Cashier

James C. Nicholson
Senior Vice President

John M. Tatum
Vice President

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Bay St. Louis
Bay-Waveland
(Hwy. 90, Bay St. Louis)
Gulfport
Pass Christian
Long Beach
Northeast
(Pass Road, Gulfport)
Mississippi City—Handsboro
Edgewater
Norwood Village
NSTL Branch
U.S. Navy CB Center
Diamondhead
Pineville Road
(North Long Beach)
Poplarville
(Bank of Commerce)
Picayune
(Downtown,
Northside,
West Canal,
Southside)

a topic to be announced at the session and a meeting of the Mississippi members of the ABA will follow, under the direction of R. D. Gage III, ABA state vice president, and president, Port Gibson Bank.

The annual necrology report will be given by MBA President Kennington, followed by a report from the resolutions committee, chaired by Robert W. Baskin, president, Merchants & Farmers, Winona.

Lieutentant Governor Dye will address the delegates on a topic to be announced at the session.

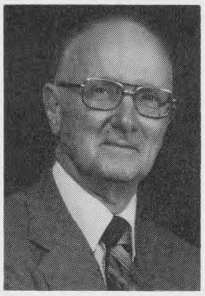
Final event on the program will be nominations and election of officers for the 1984-'85 term.

Other convention events will include tennis and golf tournaments on Thursday, May 17; a breakfast for graduates of the School of Banking of the South, tennis finals and the annual presidents' dinner on Friday, May 18; a women's breakfast, convention social hour/banquet on Saturday, May 19; and a breakfast for executive committee members on Sunday, May 20.

Comedian Andy Andrews will entertain at the women's breakfast and the Spurrlows will entertain at the banquet, which will be held at the Mississippi Coast Convention Center. ●●

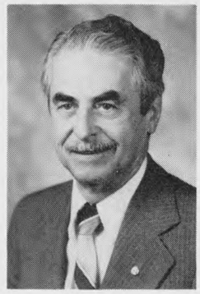
Kennington, Davis, Kahlmus Head MBA for '83-'84 Term

Presiding over the Mississippi Bankers Association administration for the past year has been Robert E. Kennington, MBA president, and chairman, Grenada Bank. Serving with him as top officers of the association have been Raymond L. Davis, MBA vice president, and president, Brookhaven Bank, and M. F. Kahlmus, association treasurer, and chairman/president, Merchants & Farmers, Meridian.



KAHLMUS

KENNINGTON



DAVIS

Mr. Kennington began his banking career as a summer employee at Deposit Guaranty National, Jackson, in 1951. He moved to Grenada Bank in 1963 and was named an officer there the following year. He has held his chairmanship since 1970.

Mr. Davis entered banking in 1952 at Bank of Norwood, La. He moved to Brookhaven Bank in 1965 as senior vice president and was elected president in 1968.

Mr. Kahlmus has been a banker since 1964 when he joined his present bank as vice president/trust officer. He has been chairman/president since 1968.

Feldstein Discusses Budget Deficit At Hancock Bank Symposium

PRESIDENT Reagan's proposed deficit-reduction package is a first step in dealing with the nation's budget-deficit problem, but the next step is up to Democrats in Congress, according to Martin Feldstein, chairman of the President's Council of Economic Advisers.

Dr. Feldstein made these comments when he addressed Mississippi Gulf Coast business leaders at the Hancock Bank, Gulfport, Annual Economic Symposium March 26. In the past, Dr. Feldstein's criticism of Reagan Administration handling of the budget deficit had earned him the sobriquet, "Dr. Gloom," but at the Hancock Bank conference, he expressed optimism that Democrats would show the same flexibility that Republicans had so the President's deficit-reduction program could be enacted without delay.

Dr. Feldstein did not minimize the seriousness of the budget problems facing Congress and the nation. He described three possible long-term effects of allowing budget deficits to stay above $200 billion a year for the remainder of the decade:

- National debt would grow from $1.5 trillion to $2.5 trillion by 1990, creating an annual interest-rate expense of $250 billion — or more than half of all current personal income-tax revenue — at current rates.
- Capital accumulation in plant, equipment and housing would be reduced, meaning lower productivity, growth and incomes.
- Since past experience gives little reason to expect that the United States is capable of maintaining a monetary policy appropriate for keeping inflation in check, a protracted budget deficit likely would add to the inflationary problem.

"In addition to these three, cumulative longer-term effects, the prospect

(Continued on page S/18)

"It's good for the bank."

P. E. Lindsey, seated, Chairman of the Board, First State Bank, Livingston, Texas

"It's great for the directors."

B. A. Glover, standing, Director, First State Bank, Livingston, Texas

Over the past decade, there has been a profound shift toward more active boards of directors for financial institutions. As a result of this broader oversight role, increased banking regulations, pressures from stockholders, and increasing legal and fiduciary responsibilities, the time demands required to serve as a bank director have substantially increased.

In recognition of these added duties, Executive Planning Group has developed a unique, tax-favorable compensation plan for directors: the Directors' Benefit Plan. The plan recognizes the important functions directors perform and helps to reward them accordingly, and it provides much greater benefits than the directors can achieve by investing current Board Fees. For more information about the Directors' Benefit Plan, call (318) 388-0013.

Directors' Benefit Plan

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Possible Multi-Bank HC Action Leads Topics in New Orleans

WILL Louisiana adopt multi-holding-company banking? This question was uppermost in the minds of bankers as they met in New Orleans last month for their 84th annual convention.

New LBA officers are, from l.: William O. Watson, treas.; Henry Kinberger, pres.; and James A. Comiskey, pres.-elect.

Speaker Henry Kissinger (r.) with Mr. and Mrs. Joseph M. Connolly. He's outgoing LBA pres. and ch., Century Bank, New Orleans.

The answer may not be long in coming as the state's legislature convened only days after the bankers' convention adjourned. When this reaches the reader, holding-company bills may have passed through committee and be ready for debate on the floors of the House and Senate.

The situation, as it prevailed during the convention weekend of April 6-9, was this: It was a known fact that Louisiana's Governor Edwin Edwards is a supporter of multi-HC banking and has, in fact, "stacked" both House and Senate committees with people who will, undoubtedly, vote out a bill for holding companies. "We can't win in these committees," Independents said, "and so the fight will come on the respective floors."

It also is a known fact that Governor Edwards has angered many members of both houses, and many voters throughout the state, because of a huge tax-increase package "rammed through the legislature," they say, during a special session in early 1984. These new taxes, actually made necessary because of a disastrous drop in oil and gas severance taxes, were voted in with almost no opposition, but it is said the governor had "called in all of his political I.O.U.s" during the process. Therefore, say the Independents, "we have a good chance of beating any legislation on the House floor, pointing to their heavy rural representation in the House and among Independent membership.

Independents held a special "pep rally" at the close of the convention to outline some initial plans for their opposition campaign and also to meet the man who will lead them in their "battle" — Paul Hardy. Mr. Hardy is a former secretary of state in Louisiana, commissioner of the department of transportation and an unsuccessful gubernatorial candidate. He also is a director of St. Martin Bank, St. Martinville.

Mr. Hardy, in an inspiring talk to more than 100 independent bankers, reminded them that they outnumber pro-multi-HC banks by more than two to one. And that strength will be reflected in the rural representation of the House, where, he maintained, a multi-HC bill can and will be defeated.

Proponents of multi-HC banking were to meet the following day in Baton Rouge, where it is presumed that strategy measures also were discussed on how to offset the known strengths of the Independents in the House. (This writer did not attend that session.)

While everyone talked about a holding-company bill, no one at the convention actually had seen one. It was rumored that at least two bills would be introduced — one that already has been written and another that would be introduced with the backing of Governor Edwards. And there were the usual rumors these bills would be loaded with amendments that would

(Continued on page S/12)

New LBA Officers

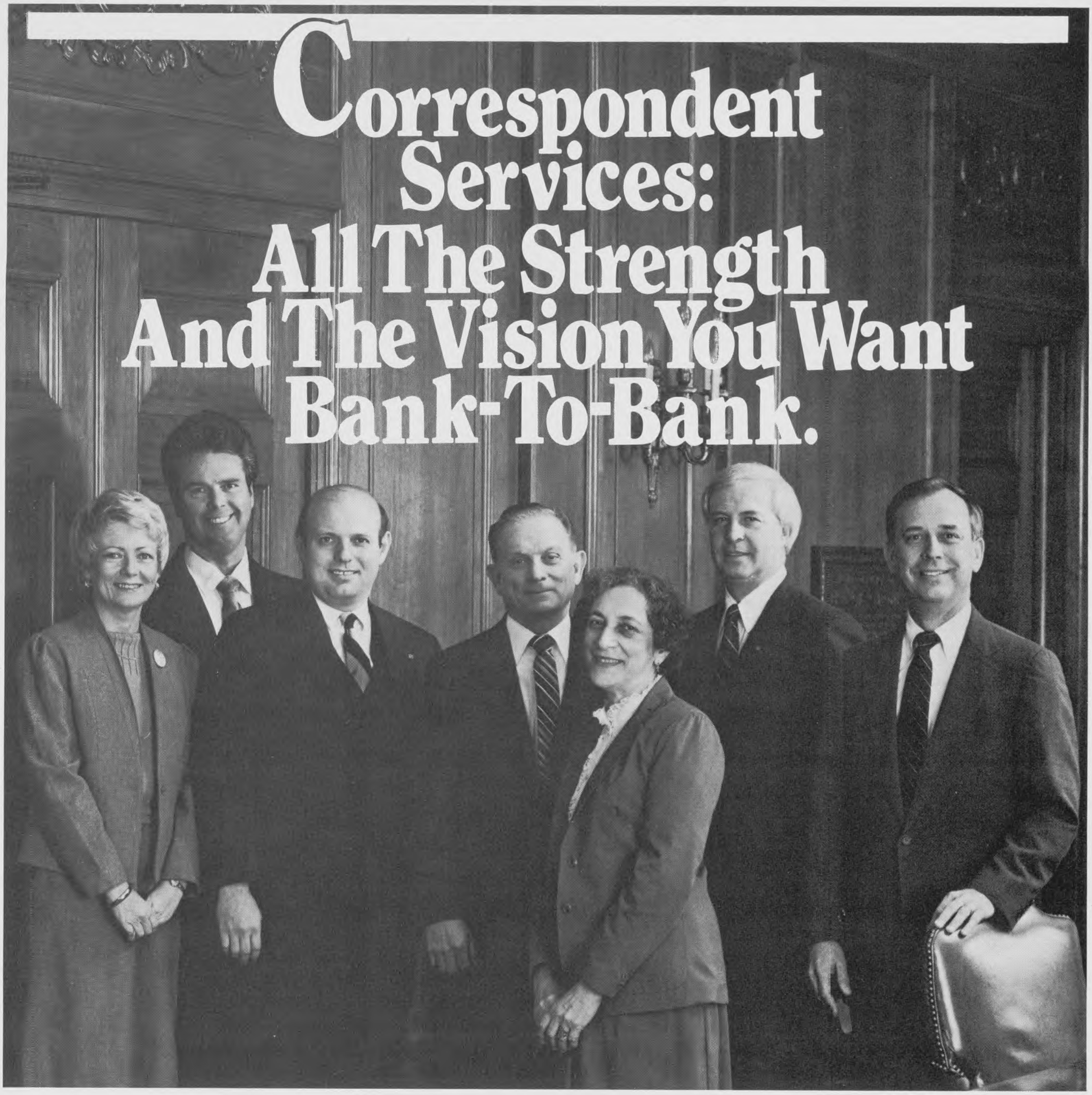
The following were elected by Louisiana bankers to serve the association during the year 1984-85:

President — A. Henry Kinberger, president, Security First National, Alexandria.

President-Elect — James A. Comiskey, president, Bank of Louisiana, New Orleans.

Treasurer — William W. Watson, president, Bank of St. Joseph.

Directors — T. Armstead Brown, president, Riverlands National, LaPlace; Richard A. McNeese, president, Hibernia National, New Orleans; and Robert J. Zeringue, executive vice president, St. James Bank, Lutcher.



Pam Delamore, Jim O'Hare, Drew Whitley, Gus Tramonte, Rose Greco, Roger Ayers, and Doug Lore. Bankers whose business is helping your bank grow.

First NBC shares your professional commitment to the future of banking. And we demonstrate that commitment through growth-oriented correspondent services. Our correspondent banking specialists can supplement your bank's growing power with loan participation, check processing and wire transfers, federal funds transactions and investment securities management. We're banking for you—with correspondent services that can give your bank competitive leverage today and a big boost toward your long-term goals.

Our correspondent banking department has twelve staff members, including the seven pictured here. Five of them have more than 20 years of banking experience at First NBC. Three have more than ten years.

This First NBC Correspondent Banking Team will win your confidence with service, know-how, a sure sense of where your bank is going, and the commitment you need to take you there.

Banking Your Way At First NBC

First NBC

First National Bank Of Commerce, 210 Baronne Street, P.O. Box 60279, New Orleans, Louisiana 70160, (504) 561-1371
Member FDIC

either please or displease either side.

Thus, the lines were drawn and opponents waited for the legislature to convene and round one of the battle to begin.

Caught in the middle with a known policy of being neutral on multi-HC banking is the office of the Louisiana Bankers Association and its elected officials. But they were not caught unprepared with this year's convention program, scheduling one afternoon workshop headlined: "Planning for a multi-bank holding-company environment." *And it played to a packed house!*

Three CPAs urged bankers to decide quickly whether they wanted to acquire, be acquired, remain independent or go out of business. Whatever the decision, determine strategy quickly so that your bank will not be surprised by a takeover — friendly or hostile — IF multi-HC banking does become Louisiana law.

These CPAs urged bankers to determine the value of their banks — whether they plan to sell or not — because, they said, it is important to know your strengths and weaknesses. Evaluate your assets, operations, management and tax position, they advised, and begin to maximize your strengths. The results, they suggested, would be useful no matter what changes might occur in Louisiana banking laws.

Bankers attending this workshop also listened to a long list of actions that could be taken to thwart a hostile takeover. Legal advice was suggested on setting up the many elements of anti-takeover measures.

Thoughts of *interstate* banking also were on the minds of Louisiana bankers as they convened on that second day of the convention. A Monday-morning headline in the New Orleans *Picayune* indicated that Mellon Bank of Pittsburgh had asked the Comptroller for permission to establish a consumer-banking office in New Orleans, as well as in a number of cities in the Southeast. And so another possibility of "change" was thrust on Louisianans as they continued their convention.

These requests for consumer-banking offices are being made by a number of money-center bank HCs — Citicorp and Chase of New York City and First Interstate of Los Angeles — under a legal loophole recently "pioneered" by U. S. Trust Corp. By accepting only consumer deposits and making only consumer loans (while avoiding commercial loans), these institutions say they avoid being labeled "banks" under the federal Bank Holding Company Act and, therefore, would not be subject to federal interstate-banking restrictions.

And so, one banker was heard to say: "The competition only gets bigger, but maybe not better."

The convention's opening-day speaker, ABA President-Elect James G. Cairns Jr., also dealt with the subject of competition. "Nonbanks have been going after us for years," he told the LBA meeting, "and the result can be seen in our declining market share. In 1949, commercial banks held 52.3% of all financial assets. In 1979, the figure was 37.4% . . . and today, that share may have declined to less than 36%."

Mr. Cairns, who is president, Peoples Bank of Washington, Seattle, suggested that bankers should not waste time in bickering with one another (something competitors would like bankers to do), but should press Congress for action on "competitive-freedom legislation" during this session. Unless bankers participate, he said, there is little hope for legislation *this year*. He suggested:

1. Contact congressional representatives and "let them know how vital it is that we be allowed to compete. This is a consumer issue. Increased competition will mean lower prices and a wider choice for the consumer."

2. Another approach: "Get your customers (and stockholders), who stand to benefit from changes in the law, to contact their representatives. In Washington, D. C., quantity counts!

3. Also, he said, support BankPac. In 1983, bankers collected $500,000 throughout the country. "This year," he said, "our goal is $750,000."

The ABA's incoming president for 1984 noted that bankers "can talk sense" to their representatives. For example, he said: As a result of present deregulation, banks have paid out $12 billion in money-market rates, at the same time increasing service charges by another $3 billion. "That has benefited consumers by $9 billion." (The information, he said, came from the Comptroller's office.)

What do banks need in order to compete in the future?

1. Ability to offer securities and mutual funds to bank customers.

2. Permission to underwrite and sell insurance.

3. Freedom to become more involved in the real-estate market.

(Continued on page S/16)

Want a Sales Program for Your Bank?

Are you planning to build a sales program at your bank? It takes a strong commitment from management, according to Tricia Faulkender, who conducted a sales workshop at the Louisiana convention.

Mrs. Faulkender, representing Financial Shares of Chicago, told bankers that senior management must take seriously any sales-driven program adopted by the bank. The chief executive also must play a strong role model and not give the program "lip service."

Employees also must know their efforts affect the bottom line of the bank and the program must have a system that holds employees accountable for results. Most important, said Mrs. Faulkender, who has conducted numerous bank sales-training programs, "if you do not have people in positions where they are comfortable in selling, then hire people who will get the job done."

Any sales program, to be successful, said Mrs. Faulkender, must have a strong "feed-back" system. Employees need to know, want to know, she said, what they are doing right (or wrong), and customer-contact techniques, therefore, need to be analyzed quickly and efficiently. Correct or praise these techniques, she said.

Tricia Faulkender welcomes two Louisiana bankers to her afternoon workshop on "Building a Sales Program."

Also, let employees know their efforts will be monitored. People do better when they know what is expected of them and that they will be "inspected." It is no accident, she pointed out, that customer service is tops in McDonald's, American Airlines and the Disney show places. Employees there are trained, they are told what to do and their activities are "shopped."

Similar results can be achieved in banks, but such a program must be continuous, rewards must be fair and positive and, above all, someone must be in charge — possibly someone with a new sales manager title in the bank, according to Mrs. Faulkender.

Uni-Banc Group Develops DP Software For In-House Small-Bank Use

CAN a small bank — a very small bank — automate successfully, *in-house?* The $5-million Farmers State of Schell City, Mo., has proved that it can. (It actually automated when it was $1 million smaller.) But it has on-going help from the Uni-Banc Association of which it and 64 other banks scattered over eight states are members.

These banks, ranging in size from the $5-million Missouri bank to a $75-million bank in Mississippi, operate on various size NCR computers — all driven by a software program originated by B&H Associates, Jonesboro, Ark., a program constantly enhanced through efforts of association members themselves.

The 65-member association did not happen overnight. B&H Associates had "pioneered" a software program for several small banks in Arkansas and Missouri. As these banks recognized the need for additional programs and enhancements of the original, they also recognized the need to band together, discuss problems and needs that were common to the group and then charge B&H with responsibility for programming those needs into the system.

This was the start of the Uni-Banc Association — a small number of banks that had similar accounting problems, along with B&H, a programmer and also a vendor — that mushroomed into a full fledged association three years later. This group, now incorporated under Arkansas laws, meets once annually, holds training schools for member employees, operates under committee structure and elects officers and directors who "hold" the association together. Uni-Banc also has a modest dues structure, used primarily to finance travel of officers and committee members.

During the closing days of March, this group, with over 50 banks represented, met at Lake of the Ozarks, Mo., and in 1½ days, saw demonstrations of new equipment, listened to discussions of possible program changes and conducted the business of electing new directors and officers.

The B&H "team" from Jonesboro, Ark., also was present to answer questions and provide members with information on how to handle problems that occur routinely during the operation of any automated system. B&H, for example, can be reached by phone during all business hours to solve a problem experienced by a bank in Missouri, Mississippi, Arkansas, etc. Operators of the systems in the very small banks are not programmed-trained and, therefore, do need assistance that is quick to come through telephone contacts with B&H.

Most of the problems come — after a bank has been on the system for several months or a year — when enhancements to the program are received from B&H. These enhancements, many of them made necessary by regulatory changes and others through the suggestion system of the association, are sent out monthly or quarterly from Jonesboro as the occasion warrants. B&H, for example, keeps track of all regulatory changes programmed into the system and sent to members. Its biggest effort came last year when interest-withholding regulations were merged into the system. Members still need assistance in this area from time to time.

B&H, incidentally, is headed by Fred Boling, a veteran banker and vendor of computers and software programs. He is assisted by Irma Hickman, who worked in Arkansas banks for more than 10 years, and Jim Burnett, who heads a staff of five program-

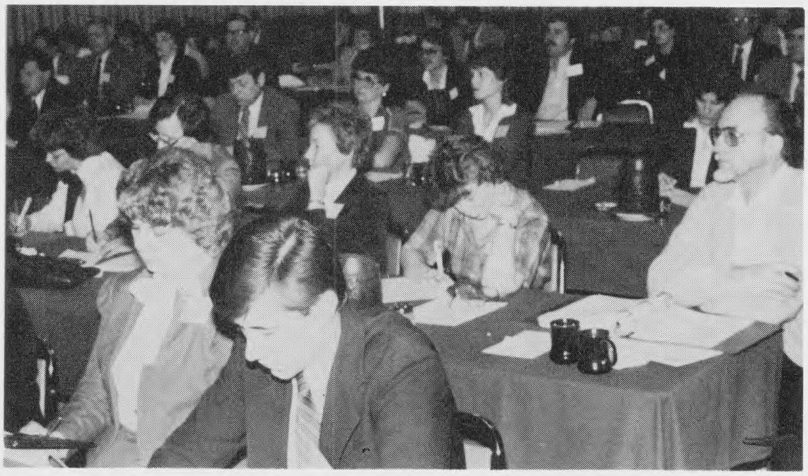
Uni-Banc President Wayne Schweigert (1982-84) is a.v.p./cash of $38-million Bank of Ste. Genevieve, Mo.

Wallace Martin, e.v.p. of $11-million First State, Parkin, Ark., has headed Uni-Banc's software committee.

Uni-Banc Program Director Norma Thomas comes from $5-million Farmers State, Schell City, Mo., where she is v.p./cash.

mers, constantly at work to keep abreast of the needs of the 65-member group.

Efforts of this group are safeguarded through a trustee relationship in Jonesboro, where an attorney holds the source code of the program system. This code is monitored four times annually by an association audit committee. This protects members should B&H change hands or go out of business and, of course, it satisfies regulatory examination requirements.



Uni-Banc group, currently with 65 members scattered over eight midwestern states, was represented at Lake of the Ozarks seminar by approximately 50 of those members. Most banks sent two or three employees to "absorb" new information on the association's data-processing software program.

Members also provide one another with backup assistance in storing disks that contain all of a bank's current records.

The association's software-advisory committee is the real workhorse of the 65-member group. This was evidenced at the March meeting as members were presented with a 12-page printout of "suggestions" that were in various stages of resolution by the committee and B&H.

The committee, headed by Wallace Martin, executive vice president, First State, Parkin, Ark., meets four times annually, considers ALL program problems submitted by members and works closely with B&H to determine if satisfactory solutions can be reached. The committee, says Mr. Martin, considers EVERY suggestion that remains on its agenda until it either is adopted and developed or is dropped.

"None of the suggestions is dealt with frivolously, dropped without notice or ignored," Mr. Martin points out. In any case, all decisions are published in a regular newsletter mailed to members.

An example of some of the suggestions received and the committee's actions are listed in the following paragraphs.

• *Suggestion:* Keep up with expiration dates on insurance.

Action: This is needed. Important work prevents priority date. Field 12 or field 14 can presently be used to store these expiration dates and then extract the expiration dates by use of "custom."

• *Suggestion:* Audit control string, malfunction on line printer, power interruption. Four-line message is lost. There is no recovery option. Could a recovery option be included?

Action: Change will be made. Plan to store this notice header in bank param file. Now scheduled for second quarter, 1984.

• *Suggestion:* Accrual loans — suggest a trancode allowing interest to be credited to accrual loan with no effect on payment schedule. To work same as trancode 15.

Action: B&H will have this in first quarter, 1984. This now has been completed.

• *Suggestion:* An IRA-pay-back program for the 70½-year-old investor.

Action: Work on this is in progress, extended to second quarter, 1984. More complex program than anticipated.

And so it went, page after page of recommendations, with appropriate action recorded and reported to members. The committee, and B&H, agree that some "frills" that might be useful to one or two banks are weeded out and "tabled" as being too costly for all banks to reprogram into their systems. The committee, along with B&H, also keeps in mind that some program changes might force a smaller bank into a larger, more expensive piece of equipment. This type of change often is delayed to permit the smaller bank to continue to operate with the lowest-cost system.

How do bank employees — those who operate the system — feel about their in-house operations? When asked this question at the Ozark meeting, they responded unanimously. "We were really afraid that we couldn't handle a computer system. I was scared to death," said one young lady. But all agreed that introductory training, plus telephone communication with B&H in Jonesboro, makes it relatively easy to operate the system.

What's in the future for the Uni-Banc group? The software committee and B&H indicate programs are being developed for the safe deposit department, stockholders' records, asset/liability management, a profile credit history of a loan customer, a loan-closing program, plus an accounts-receivable program for dealers in a farm community.

And when will the association meet again? Early in 1985, when it expects to have a few new members join it. — **Ralph B. Cox, publisher.**

New Mexico

(Continued from page 29)

of Daniels Insurance and Jack Daniels Realty.

Mr. Craig has been in banking since 1950, the year he joined Union Planters National, Memphis, Tenn. He moved to First Interstate, Albuquerque, in 1970 as senior vice president. He has been president of the bank since August, 1977. ● ●

Louisiana Convention

(Continued from page S/12)

"A report by Peter Merrill Associates," said Mr. Cairns, "shows that broader real-estate-equity-investment powers would offer the possibility of greater profits at no extra risk."

Another convention speaker — Alex Sheshunoff, known to bankers for his discussions of bank profitability — concurred on the subject of bank sales of insurance. Mr. Sheshunoff demonstrated to bankers potential income from household insurance that could be sold to a portion of a bank's customer base. This type of property and casualty insurance (home owners, auto and personal liability policies) can be sold by banks, he said, at a cost lower than any other type of sales media and over a period of time could result in substantial income for the consumer-oriented bank. And, he said, capital investment would be relatively minor.

Louisiana bankers, who "do things right" at their convention, welcomed several "personalities" to their 84th meeting: Joan Fontaine, who starred on the screen with such actors as Cary Grant, Paul Newman and Sir Laurence Olivier, spoke to an afternoon audience on "The Golden Years of Hollywood." Dale Evans, wife of the cowboy star, Roy Rogers, was featured at a Sunday morning inspirational meeting, and Henry A. Kissinger, former Secretary of State, spoke to an opening-day session on, you guessed it, "World Conditions."

Louisiana's Senator J. Bennett Johnston, a member of the Senate Budget Committee, told his constituents that "common sense and political courage" were necessary to solve the federal-budget crisis. Restraint is needed, he said, in four main areas of spending: defense, entitlement programs, medicare and social security. These are the only areas, he said, where spending cuts would mean anything.

Art Buchwald, syndicated columnist and offerer of unsolicited advice to U. S. Presidents, sent everyone home with a laugh. One of his best spoofs, he said, was a column about high-flying spy planes. One of his columns revealed a plane that would "fly so high and *so slowly*" that no one could shoot it down. Would you believe it, he asked his audience, several days later someone from the Pentagon called and asked "Who leaked the information?" **— Ralph B. Cox, publisher.**

JANVIER

CARONNA

DUBRET

Roy C. Caronna, John C. Dubret Jr. and George Janvier III have been named vice presidents, Whitney National, New Orleans. Mr. Caronna, international banking, has been at Whitney more than 30 years. Mr. Dubret, there since 1963, works at the Carrollton Avenue Branch. Mr. Janvier, Main Office, went to the bank in 1964. Promoted to assistant vice presidents were: Walter E. Estrade, Michael L. Jones, James M. Jones, Cecilio J. Manero, Edgarda Waterman, Bennierita S. Smith, Michel A. Hardouin Sr., Joseph S. Exnicios, Lawrence J. Berger Jr., A. Ross Dozier, Gerard F. Lowe, Derek P. Delaney and Carroll V. Despaux.

Roger Clarke has been named executive vice president, administration group, First Guaranty Bank, Hammond. Ralph Ross was made executive vice president, banking group, and Dave Bodi was elected senior vice president, operations.

Hancock Symposium

(Continued from page S/8)

of large deficits year after year affects the character of the economic recovery," said Dr. Feldstein. "Large deficits crowd out private-investment spending and, by raising the value of the dollar, also crowd out net exports. The result is a recovery that is less balanced and therefore likely to be more fragile and more inflationary."

It is, therefore, of critical importance that legislation be enacted now to provide a gradual, predictable and significant reduction in budget deficits in the coming years, Dr. Feldstein added. The Republican-backed, deficit-reduction package would do just that, he said.

"It's a balanced package and a substantial one," he told the Hancock Bank audience. "Over the next three fiscal years, it would reduce non-defense spending by $43 billion, cut growth in defense spending by $40 billion and increase revenue by $48 billion. The resulting deficit reduction cuts debt service over these three years by an additional $18 billion. The total debt reduction is, therefore, $150 billion."

Under the Republican-backed proposal, deficit reduction would start with a modest $25 billion in 1985, rise to $53 billion in 1986 and to $71 billion in 1987. "This pattern of growth means that deficit reduction is even greater after 1987," Dr. Feldstein said.

The Republican package, as good as it is, must be labeled only a down payment indicating that more substantial action will be required in 1985 to bring the deficit under control, Dr. Feldstein said. Yet with the "downpayment" package as a start, "there is no reason why we shouldn't be able to eliminate the structural deficit by the end of the decade."

Leo Seal Jr. (l.), pres./CEO, Hancock Bank, Gulfport, Miss., prepares to direct question from audience to Martin Feldstein (r.), President Reagan's economic adviser, during Mr. Feldstein's appearance at Hancock Bank's economic symposium.

Although the deficit looms as a long-term economic problem, Dr. Feldstein said that short-term economic prospects are bright.

"The economy this year is expanding at a very strong pace," he said. "There is good news about virtually every facet of economic activity."

The reduction of the annual inflation rate from 12.4% in 1980 to 3.8% last year was one of the great achievements of the Reagan Administration, Dr. Feldstein said. The painful cost of reducing inflation should prevent future administrations from taking any chances with inflation. Inflation currently is under control although at least a slight increase over last year's rate is to be expected this year, he said.

Monetary policy, he added, is currently right on target. The Federal Reserve's announced ranges for growth in the basic money aggregates — M1 and M2 — are appropriate for the year ahead and consistent with the goal of a nominal Gross National Product increase of about 10%, he said. A goal of faster money growth at present likely would mean more inflation, while slower monetary growth would slow the pace of real growth.

Dr. Feldstein emphasized that it would be a terrible mistake for the Fed to prevent a rise in interest rates by pursuing an excessively expansionary monetary policy. "The experience of the 1960s and 1970s shows that the most likely result of such a policy would be rising inflation followed by rising interest rates," he said.

Others addressing the Hancock Bank economic symposium were Admiral Kinnaird R. McKee, U. S. Navy, a native of the Gulf Coast area; a well-respected import to the region, Roland Weeks Jr., president/general manager, Biloxi-Gulfport *Daily Herald and Sun;* and George Williams, Mississippi tourism director. Hancock's Donald E. Sutter, chairman; and Leo W. Seal Jr., pesident/CEO, presided at the half-day session held at the Mississippi Coast Coliseum Convention Center. — **John L. Cleveland, assistant to the publisher.**

• *The ABA* has announced the latest issue of its *Competitech* series: "Bank Mutual Funds: A New Product Line." The publication explains the entire process, from determining what type of mutual-fund service to offer to best meet banks' customers' needs to allocating space for personnel to operate the fund. Copies may be purchased by ordering *Competitech* — "Bank Mutual Funds: A New Product Line," No. 022800, from Order Processing, American Bankers Association, 44B Industrial Park Circle, Waldorf, MD 20601.

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Survival Plan for Banks Should Include Personnel-Function Analysis

By Theresa D. (Tracy) Janda, Assistant Vice President, Union Planters National Bank, Memphis

IT'S A STARTLING, disconcerting prediction: Of the 15,164 banks in existence in 1980, only 9,600 will exist in 1990!

Clearly, only well-managed financial institutions will survive the 1980s. Survivors will have continually analyzed and monitored their operations for inefficiencies and taken steps to rectify any they identify. This analysis will have included a long, hard look at the personnel function.

A bank's human resources represent its greatest asset. During the eighties, when innovation and change will be dominant themes in the financial industry, the importance to the organization of quality personnel will increase. Correspondingly, though, costs associated with the bank's human resources also are likely to increase.

The trends already are well-established:

- Benefits costs have skyrocketed in recent years, approaching 40% of payroll in many organizations.
- Competition for employees with certain skills and experience is increasing, resulting in higher salaries and recruiting costs.
- Government regulation of personnel practices increases almost daily, creating more requirements of the personnel function.
- There is a growing tendency by employees to sue a corporation to achieve satisfaction of a grievance, involving the organization in more and more litigation.

It's obvious that bankers are facing a dilemma. Survival will be achieved only by those banks that can simultaneously employ quality, productive personnel and contain human-resources expenses. Therefore, it's incumbent on management to periodically analyze in-depth the organization's personnel-management practices and programs for their effectiveness and to rectify all inefficiencies.

Unfortunately, managers unfamiliar with the personnel function can find it difficult to initiate such an analysis. All activities of the personnel function may seem worthwhile. Further, it may be feared that elimination or modification of programs would adversely impact employee morale and negate anticipated benefits.

To survive the turbulent eighties, bankers must eliminate the blur of distinction between required, desirable and truly effective personnel activities. An in-depth analysis will bring the various activities into perspective and then will enable management to decide which activities should be maintained.

Ms. Janda is product manager for Cornerstone personnel-management services offered by Union Planters National. Prior to joining the bank in 1983, Ms. Janda was with a Houston S&L. She is a graduate of Rice University with degrees in legal studies and political science. She is a member of the Memphis Personnel Association and American Society for Personnel Administration.

To initiate this process, we suggest the analysis be conducted in three phases:

- The analysis and reduction of risk in all personnel-function activities.
- The review of the compatibility of personnel-function activities with the organization's objectives.
- The review and, where necessary, improvement of the cost-effectiveness of those activities that are supportive of these objectives.

Reduction of Risk. To begin, the personnel-function analysis should focus on minimizing and, where possible, eliminating all opportunities for the organization to be subject to litigation or penalties associated with noncompliance. The activity in this phase of the analysis should concentrate on required personnel-function activities and measures to prevent employee grievances and litigation.

Regulatory compliance is extremely important. Companies that fail to satisfy reporting and record-keeping requirements face significant penalties. For example, banks that fail to establish and comply with affirmative-action programs can face penalties up to and including loss of FDIC insurance. Therefore, it's important that this phase of the analysis audit all personnel practices for compliance with federal, state and local regulations.

If situations of noncompliance are discovered, remedial steps should be pursued immediately. Where practical, procedures should be established to guarantee compliance.

Finally, supervisory personnel should be knowledgeable about appropriate laws and should be held accountable for management of personnel in accordance with these laws.

The second part of this phase calls for development or improvement of measures to prevent employee grievances and litigation. Here, again, procedures for certain personnel practices may need to be developed to insure the consistent and fair treatment of all employees. All personnel policies should be in writing and clearly communicated to all employees. Further, it is essential for management to support policies and procedures — especially through the accountability of supervisors — for performance within these guidelines.

Compatibility of Objectives. Once the basic concern of regulatory compliance has been alleviated, the personnel-function analysis should proceed to a review of the function's activities as they relate to corporate objectives. Often, this type of analysis never occurs. The result is the existence of personnel programs perceived to be desirable but actually in conflict with the bank's objectives.

This incompatibility can be seen in the following example: Bank "A" has developed a plan projecting manpower needs for the next five years. This plan projects an acute need for data-processing personnel with over five years of experience in the financial industry. Personnel-function activities, however, are oriented toward recruitment of college data-processing majors as they graduate. This procedure clearly doesn't support the bank's objective. The personnel function should allocate more resources to recruiting activities that would reach experienced data-processing personnel in the financial industry through advertisements in trade journals and professional publications.

Often, personnel programs are initiated simply because they are perceived to be worthwhile or other organizations have used them successfully. This phase of the personnel-function analysis will identify personnel activities that are incompatible with the bank's objectives. Such activities should be eliminated, unless modification can rectify the incompatibility. Further, whenever new personnel activities are under consideration, they should be analyzed carefully for their compatibility with corporate objectives.

Program Cost-Effectiveness. The final phase of the personnel-function analysis deals with review of the cost-effectiveness of those programs deemed to be supportive of the company's objectives. For example, a preventive measure for employee litigation is an internal employee-grievance procedure. But, if no employees use this procedure and still pursue external relief of their dissatisfaction, the program obviously is not effective and should be improved.

A review of effectiveness should cover all the personnel function's activities. The following questions should be asked: Does the bank's salary-administration program promote the company's desire to pay for performance or is it rewarding employees for seniority? Are the dollars the company is spending on benefits effective in the attraction and retention of quality employees? Are recruiting methods effective relative to their costs? Are there more cost-effective ways of achieving training goals?

The cost-effectiveness review should become a normal course of business for bankers to insure that personnel programs are making a contribution to the organization's profitability. Records of activity within programs should be maintained and then compared to the experience of other financial institutions so their effectiveness can be assessed. Information about other organizations can be obtained through published surveys and telephone communication. Case histories of successful program changes also are available through trade publications and professional associations.

Analysis Conclusions. The analysis outlined here will identify numerous improvements that can be made in a bank's personnel function. If the conclusions are to eliminate some activities, the manner in which they are suspended should be well-planned and communicated. Responsibility for effective personnel management doesn't reside solely within the confines of the personnel department, but is shared by every banker with supervisory responsibility. Therefore, supervisors should have a clear understanding of the reasons behind any personnel-program changes. Then, these supervisors can be sensitive to employee concerns and better able to respond to them when they occur.

The course financial institutions must follow to survive in this decade is clear — there must be an emphasis on efficient internal operations. This translates into an acute need for bankers to eliminate any blur of distinction between personnel-function activities required by law, those perceived to be desirable but incompatible with the bank's goals and those judged compatible with these goals but not cost-effective.

A review of the banks still in existence in 1990 will show that their survival plans included this focus on effective personnel management. ● ●

Historic ATM Withdrawal Made

THE DAUGHTER of a Pine Bluff, Ark., banker made history recently when she made the world's first intercontinental transaction via an ATM.

Mary Stone, daughter of Mr. and Mrs. Donald W. Stone (he's executive vice president at Simmons First National, Pine Bluff) used her Visa charge card in a Sydney, Australia, ATM to get cash from her account at Simmons First National.

The Australian ATM, owned by the New South Wales Credit Union, is connected to Simmons First National by Visa's global communication network. The 31,000-mile-round-trip request for cash traveled from Sydney to Singapore via communications satellite, then by undersea cable to California, then by cable to Washington, Atlanta and, finally, to Pine Bluff. The transaction took about six seconds.

"When we discovered that the credit unions of New South Wales had some money machines on the Visa system," Mr. Stone said, "we asked Mary, on vacation in Australia, to go to the credit union and insert her Visa card. She did and her request for $300 Australian dollars came by satellite through the system, was converted to U. S. dollars and she withdrew $285 from her account at Simmons First."

Visa's global network of ATMs was announced last summer. Member institutions have committed nearly 6,500 ATMs to the network, with about half in the U. S. and the balance in Europe, Latin America, the Asia-Pacific region and Canada.

Computer-Software Package Offered for ATMs, POS

First Data Management Co., Inc., Oklahoma City, and Applied Communications, Inc. (ACI), Omaha, have announced an agreement through which ACI will provide state-of-the-art computer software to First Data's financial-services network.

The BASE24® software package will support both automated-teller-machine and point-of-sale devices and will handle interchange and settlement transactions between institutions and shared networks.

The software will operate on Tandem third-generation "TXP" computers and support the IBM 4701 controller.

About 1,500 terminals will be connected through 150 financial institutions plus terminals on automated fuel-delivery gasoline pumps and other retail POS applications, says R. K. Motheral, executive vice president, First Data Management, and general manager of its Service Card System division.

First Data Management is a publicly held company that sells electronic-transaction services and traditional data processing to financial institutions in Oklahoma, Kansas and Missouri.

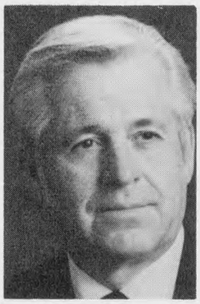
'Fighting Spirit' Stressed by Independents At Annual Convention in New Orleans

OUTGOING Independent Bankers Association of America (IBAA) President James D. Herrington, chairman/president, Coldwater (Kan.) National, told independent bankers attending the IBAA's annual convention in New Orleans in late March that he had news for "our so-called friends who keep telling us that dying would be a lot easier if we only laid down for them.

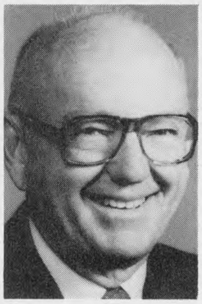
"The vital signs for the community bank have never been healthier," said Mr. Herrington in his keynote address. "The fighting spirit of independent bankers has never been more robust. After a brief dip during the year when the new deregulated accounts were first introduced, the return on assets for community banks rose last year while the return on assets for banks over $1 billion actually dropped. According to Federal Reserve statistics, our ROA is higher now than it was during the so-called good old days of the 1970s. Community banks' ROA is still more than double that of the money-center giants."

Mr. Herrington had more good news for IBAA members: The number of new charters for community banks has been setting a record pace; IBAA membership, contrary to the trend at many other associations, is increasing; and the IBAA had enjoyed a number of "wonderful" political successes during the previous year. In addition to what Mr. Herrington termed the "remarkable" battle to repeal withholding at source, independent bankers in Iowa, New Mexico and other states had combined to defeat or delay legislation per-

New IBAA Officers



KING
IBAA Pres.



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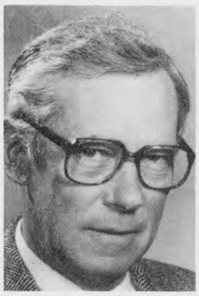

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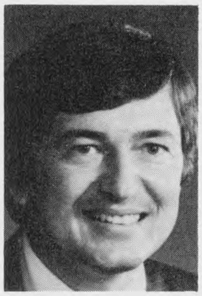
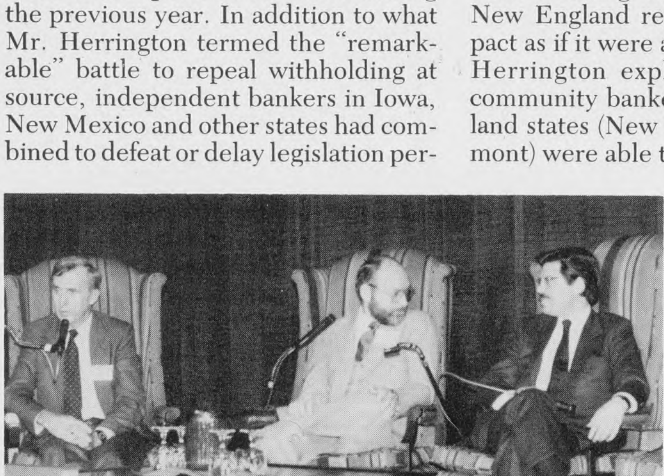


DOYLE
2nd v.p.

mitting interstate banking.

News reports might give the impression that interstate banking is sweeping the country, said Mr. Herrington, but "nothing could be further from the truth.

"For example, proponents of interstate banking talk about the famed New England regional banking compact as if it were a matter of fact," Mr. Herrington explained. "In reality, community bankers in two New England states (New Hampshire and Vermont) were able to slow down the big-bank steamroller so that their state legislators could have time for second thoughts about the implications that interstate bank ownership would have on the communities within their states. Those states still have not joined the regional pact."



Discussing bank deregulation at IBAA convention are (from l.) Kenneth McLean, minority staff dir., and Danny Wall, staff dir., both with the U. S. Senate Banking Committee; and Peter Wallison, general counsel, U. S. Treasury.

Mr. Herrington's thoughts about the bright future for independent bankers were shared by another IBAA convention speaker, William M. Isaac, chairman, Federal Deposit Insurance Corp (FDIC). "While some institutions undoubtedly will disappear," said Mr. Isaac, "there always will be a place for the well-managed, independent local institution."

Mr. Isaac also attempted to let some air out of what he indicated is another popular misconception. Expanded banking powers represents an opportunity for all banks, not just large banks, he said.

"You possess high capital levels, an established customer base and close ties to your local communities," Mr. Isaac told IBAA members. "While it may not be feasible to offer on a de novo basis all of the financial services that may be authorized, this will not be an insurmountable obstacle. For example, of the more than 1,200 commercial banks, including many community banks, currently offering discount-brokerage services, the vast majority entered through joint ventures with discount-brokerage firms. Similar arrangements can be used by community banks in the future to offer a wide array of financial services ranging from insurance underwriting to mutual funds."

Panelists participating in a discussion about deregulation generally agreed that there is some possibility that Congress could pass some far-reaching legislation expanding bank powers this year. Peter Wallison, general counsel, U. S. Treasury Department, Washington, D. C., based his forecast on legislative activity on banking powers at the state level. As soon as opponents of expanded banking powers realize that events at the state level are moving beyond their control and that their best interests are served by a national bill somewhat limiting the range of new powers banks may assume, compromise legislation will emerge, according to Mr. Wallison.

Senate Banking Committee Staff Director Danny Wall agreed that state legislatures may force Congress to deal with further deregulation this year, but said that events within the financial-services marketplace are what is driving regulatory activity at the state level. "The marketplace is where it's at," said Mr. Wall. He added that some compromise legislation could be passed by Congress this year, but that the clamor of independent bankers and others with a stake in deregulation will be needed for there to be reconciliation.

Kenneth McLean, minority staff director, Senate Banking Committee, said that his boss, Sen. William Proxmire (D.-Wis.), finds himself in "the unusual position of serving as a voice of moderation" with respect to deregulation. Sen. Proxmire is not convinced that all of the changes in the financial-services industry are "demanded by the consumer or driven by technology," Mr. McLean said. Sen. Proxmire is proposing his own solution that would expand bank powers only modestly and force nonbanks to divest themselves of banking activities.

A. J. "Jack" King, pres., Valley Bank, Kalispell, Mont., shown presiding at IBAA convention, where he was elected IBAA pres. over 1st V. P. Paul H. Bringgold, pres., First Nat'l, Cannon Falls, Minn.

Whether Congress chooses to pass a bill expanding bank powers broadly, narrowly or not at all, Sen. Proxmire feels that it is important that Congress deal with the issue this year, according to Mr. McLean.

Agriculture Secretary John Block used the IBAA convention as a forum to announce a new approved lender program to streamline the Department of Agriculture's farm-credit program. The new program will emphasize the role of private lenders in processing Farmers Home Administration guaranteed farm loans.

A. J. "Jack" King, who was elected IBAA president at the New Orleans convention, presided over the final general session during which members approved 44 resolutions stating the IBAA's position on political/economic issues impacting community banks. Mr. King is president, Valley Bank, Kalispell, Mont., and has spent his entire 31-year career in banking in Montana. Other IBAA national officers elected at the convention are: B. F. "Chip" Backlund, president, Bartonville (Ill.) Bank, first vice president; Charles T. Doyle, CEO, Gulf National, Texas City, second vice president; and Charles L. "Bud" VanArsdale, president, Bank of Castile, N. Y., treasurer.

Through the resolutions passed at the convention, the IBAA reaffirmed its support for Douglas Amendment prohibitions against interstate banking and McFadden Act restrictions on interstate branching, except for interstate use of electronic-fund-transfer systems. The IBAA gave what Mr. King termed "mixed" reviews to Vice President Bush's Task Group on Regulation of Financial Services's final report. Generally, the IBAA applauded the report's support for a continued role for the Federal Reserve Board but strongly opposed the recommendation for a new federal banking agency.

Other speakers who addressed the IBAA in New Orleans were: Sen. Ernest F. "Fritz" Hollings (D.-S.C.), who joked that his presence was at the behest of the voters of New Hampshire where his quest for the presidency ran aground; and NBC News Commentator Roger Mudd, who recommended that polls close earlier in the western than in the eastern United States so that television news projections of election outcomes would not affect actual outcomes. Under Mr. Mudd's proposal, television news departments would volunteer not to project any outcomes until all polls had closed. — **John L. Cleveland, assistant to the publisher.**

Independents' 1984 Election Results in Controversy

ELECTION of A. J. "Jack" King, president, Valley Bank, Kalispell, Mont., as president, Independent Bankers Association of America (IBAA), at the group's New Orleans convention in March came as quite a surprise and stirred considerable controversy.

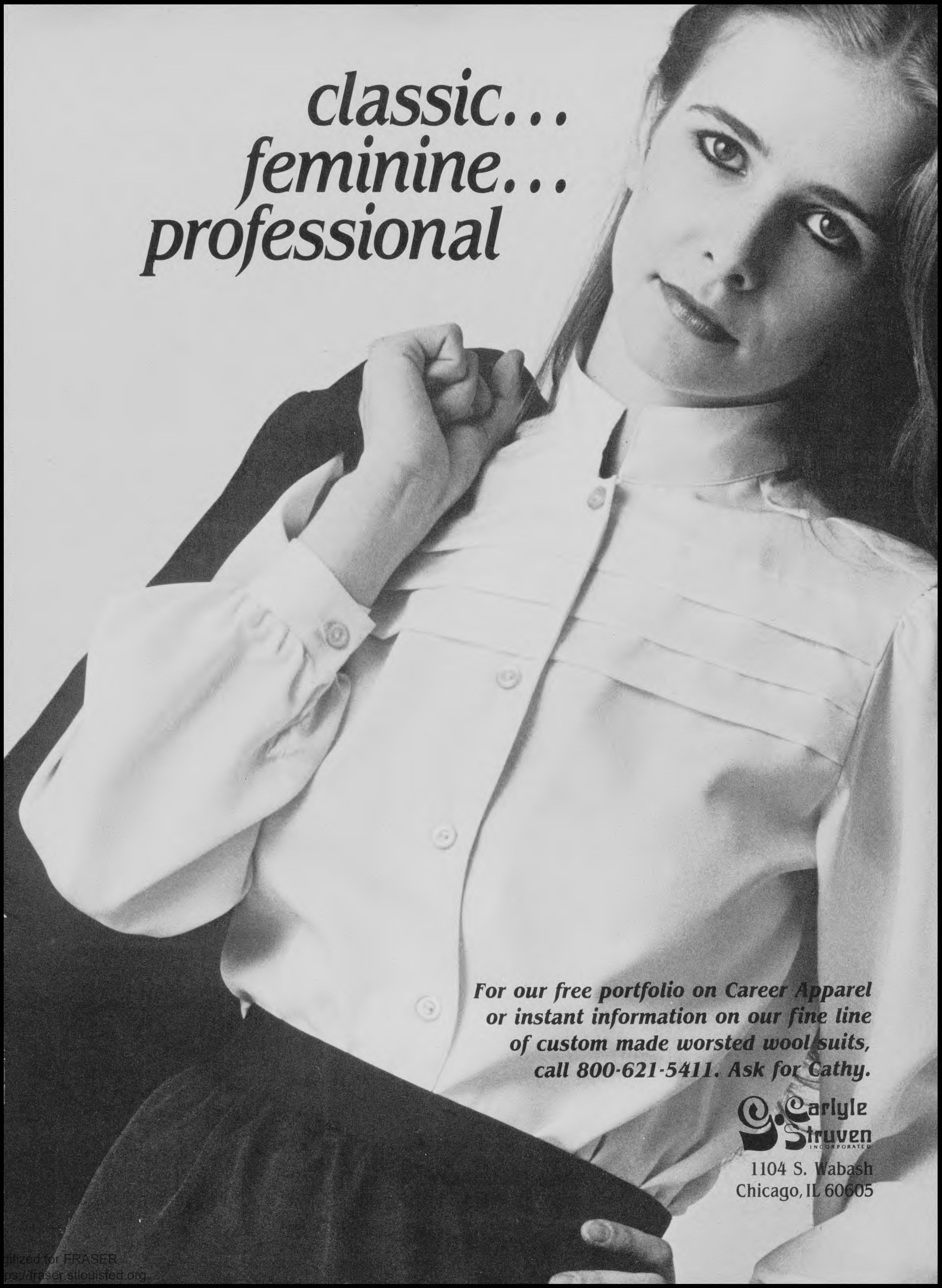
Paul H. Bringgold, president, First National, Cannon Falls, Minn., was expected to succeed James D. Herrington, president, Coldwater (Kan.) National, as IBAA president. Only once before in its 54-year history had the organization failed to elect its first vice president — the post Mr. Bringgold held during 1983-84 — as president the following year. But the election of Mr. King, who had served as second vice president under Mr. Herrington, was more than just a break with tradition, an article in *American Banker* suggested. Animosity between Mr. Bringgold and other top IBAA officers and staffers may have been behind his being passed over for Mr. King, the article indicated. Other reasons also were cited in the article.

However, Robert McCormick, CEO, Stillwater (Okla.) National, and chairman of the committee that nominated Mr. King, characterizes the *American Banker* report as "idle gossip."

"Mr. Bringgold ran for president, and he lost," says Mr. McCormick emphatically, as if to say that further speculation was useless. He refused comment on rumors cited in the article about Mr. Bringgold's differences with others in the IBAA, but did say the cause of Mr. Bringgold's being passed over was "personnel" rather than "personal" and that commenting on personnel matters would be inappropriate.

Mr. Bringgold told MID-CONTINENT BANKER he thought the article in *American Banker* was well done and that he still is bitter about the way the election was handled. Other than a three-line letter from Mr. McCormick saying he was not the association's choice for president, Mr. Bringgold says he has yet to receive any explanation for his being found unsuitable. He says he was not the source of the rumors about him cited in the article and cannot comment on them. Mr. Bringgold declines to say whether he will remain active in the IBAA or if he will take any further steps to seek the presidency or discover the true reason for his being passed over.

• **Harold D. Schuler** has been named director, international relations/financial evaluation division, office of the Comptroller of the Currency, Washington, D. C. He joined the office as an assistant national bank examiner in 1969.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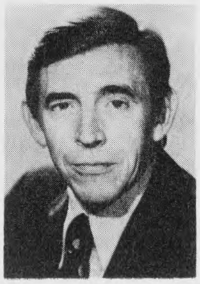
'Capture Spirit of Illinois' Is Theme Of Convention Set for Peoria in June

Convention Speakers

FORD

HARRIS

DEDERICK



KIKER

PEALE

"CAPTURE the Spirit of Illinois" is the theme of this year's annual convention of the Illinois Bankers Association, which will be held June 13-15 in Peoria. Headquarters will be the Pere Marquette Hotel.

Headlining the convention program will be former President Gerald Ford; Robert G. Dederick, former under secretary of commerce for economic affairs; William C. Harris, state banking commissioner; Norman Vincent Peale; Robert Brenton, ABA president; and Douglas Kiker, NBC news correspondent. Mr. Dederick currently is executive vice president/chief economist, Northern Trust, Chicago, and Mr. Brenton is president, Brenton Banks, Des Moines, Ia.

Set for the convention program are a trade show, a series of special-interest workshops and the traditional social activities, including the annual banquet, which will feature the Warren Covington Orchestra and entertainment by the Pied Pipers, the Four Freshmen and the Four Aces singing groups.

The convention is expected to begin on the morning of June 13 with opening of registration and exhibits. Workshops are expected to be held that afternoon on topics to be announced.

Exhibits and registration will be open all day on June 14 and the first business session is expected to begin with opening ceremonies at 8:30 a.m.

A noon reception will be followed by various luncheons, including one for graduates of the Graduate School of Banking at the University of Wisconsin and one for spouses of delegates.

Additional workshops are expected to be conducted that afternoon, with topics to be announced.

The final day's program is expected to begin at 8:30 a.m. on June 15, with the second general session, followed by the annual meeting of Illinois members of the ABA.

A reception will precede the annual convention luncheon, and William J. Hocter, IBA executive vice president, is expected to give his annual association report that afternoon.

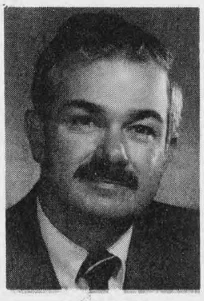
The closing reception and banquet are expected to be held that evening, at 6 p.m. and 7 p.m., respectively.

Presiding at this year's convention will be Charles C. Wilson, IBA president and chairman/CEO, First National of the Quad Cities, Rock Island. Mr. Wilson assumed the IBA presidency last January 1.

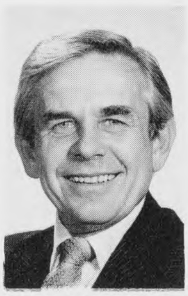
He began his banking career at Continental Illinois National, Chicago, and has been with his present bank since 1960. He is a graduate of the Graduate School of Banking at the University of Wisconsin and is a co-founder of the Quad Cities Chapter of the AIB.

Serving with Mr. Wilson this year as IBA officers are Kenneth Skopec, IBA vice president and president, Mid-City National, Chicago; James B. Lund, association secretary and president, Matteson-Richton Bank, Matteson; and Donald R. Lovett, IBA treasurer and chairman/president, Dixon National (and immediate past president of the association). These officers will serve throughout calendar 1984. Officers for 1985 will be elected at the association's annual meeting in November. ● ●

Convention Officers

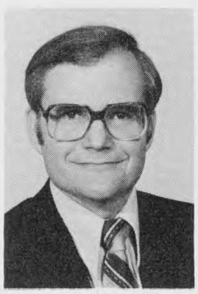


WILSON



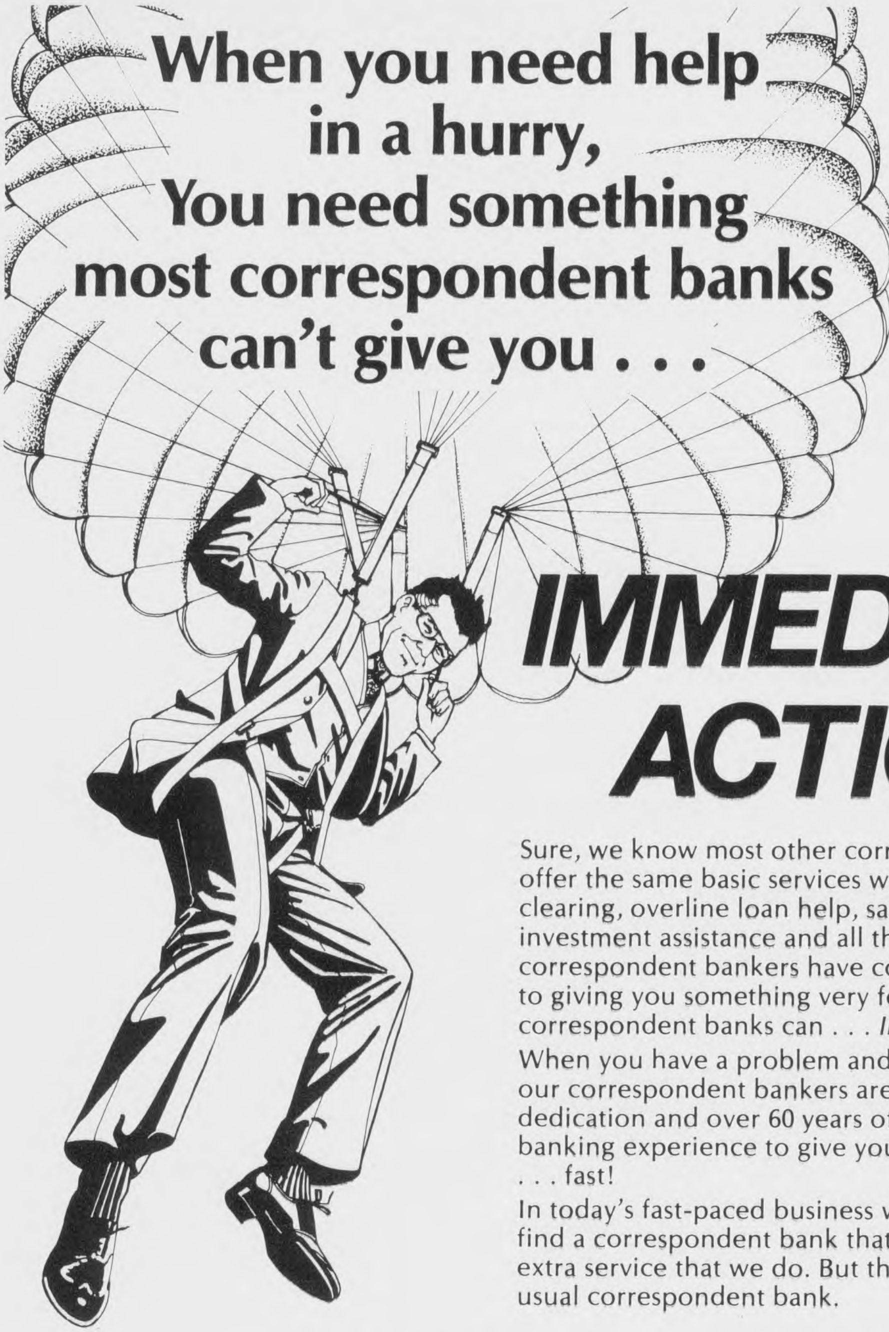
SKOPEC

LUND



LOVETT

HOCTER



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Chemical Buys Continental's Charge-Card Operation

Continental Illinois National, Chicago, has sold its credit-card and related merchant-processing business to Chemical Bank, New York City. The purchase price of approximately $1 billion includes a premium of $176 million for the net receivables and assets of Continental's charge-card division.

The sale gives Chemical approximately two million cardholders in all 50 states.

Chemical stated that it intends to employ Continental's entire credit-card division staff and perhaps expand the operation, which will continue in Chicago.

Continental has agreed to become a correspondent bank of Chemical for the purpose of accepting merchant deposits.

Northern Trust and First National, both of Chicago, last month signed a definitive purchase agreement under which Northern Trust will withdraw from its bond-indenture trustee/municipal-bond/coupon-paying businesses and recommend that customers using these services transfer their business to First Chicago. Northern Trust reports it is withdrawing from these particular trust services because they no longer complement its strategic direction. The bank plans to continue to expand its other trust services, most notably personal trust/Master Trust. The transfer to First Chicago is expected to be completed in the first quarter of 1985.

Michael J. Altenburger, vice president, Continental Bank, Chicago, has been named manager of the equipment leasing division of the special industries department. Most recently, Mr. Altenburger was assigned to the bank's eastern central division. He joined the bank in 1975.

Cole-Taylor Financial Group, Inc., a Chicago-based multi-bank HC, has elected six new directors: Irving Finder, president, Rolisa Corp., Northbrook; Melvin E. Pearl, senior partner, Katten, Muchin, Zavis, Pearl & Galler, Chicago; Jerry M. Reinsdorf, chairman, Balcor/American Express, Skokie, and chairman, Chicago White Sox; Bruce W. Taylor, vice president, Bank of Yorktown, Lombard; Jeffrey W. Taylor, vice president, Main Bank, Chicago; and Scott W. Taylor, executive vice president, Skokie Trust.

William Troutman, chairman, First State, Pekin, recently observed his 50th anniversary in banking. He started as a "runner" for Central Bank in his home town of Denver. He left that family-owned bank after 27 years as a vice president to become president, Rushmore State, Rapid City, S. D., where he spent five years before going to a bank in Waterloo, Ia., briefly before ending up at Pekin. He became president of First National there in 1968, and chairman in 1977. It was then that he and his son, John, bought controlling interest in First State, Pekin, which had been chartered in 1972.

Carolyn G. Woolsey has been elected vice president, Harris Bank, Chicago, where she heads the banking department's strategic-planning/analysis activities. Ms. Woolsey joined the bank in 1977.

Midwest Financial Group, Inc. (MFG), Peoria, has completed acquisition of the $368-million-asset United Bancorp, Inc., a seven-bank Rockford-area bank HC. In other action, directors of DeKalb Bancorp, Inc., a one-bank HC that owns the $110-million-asset DeKalb Bank, have approved a letter of intent to join MFG. The transaction must be approved by DeKalb Bancorp's shareholders and the Fed.

What do these banks have in common?

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These banks decided to do their own data processing. After looking at their software options, they chose UNI-BANC. UNI-BANC was developed by former bankers. Their goal was simply to create the best possible system for banks and thrift institutions, using the latest minicomputer technology, and to support it with people who not only know computers but speak the bank's language as well. Since 1980, more than 60 banks have installed UNI-BANC and are enjoying the cost savings, control, and increased customer service capability UNI-BANC provides.

UNI-BANC is a self-contained system which runs on NCR 8200, 9020, 9300, and NCR Tower 1632 minicomputers. The system supports all application processing such as regular savings, certificate of deposit, demand deposit and all loans including installment loan, commercial loan, and mortgage loan accounts. All new accounts plus account maintenance and inquiry are entered through the CRT. Transactions can also be input from proof of deposit runs. Additionally, it comes with a fully automated descriptive general ledger and a custom report generator that produces special reports without re-programming. A complete set of universal notices is provided, as well as over 20 audit and analysis reports. It was designed to accommodate banks with assets from \$3M to \$200M.

UNI-BANC does not require previous computer experience to operate or maintain. We teach your present employees everything they need to know to operate the system, then support and enhance UNI-BANC to make sure your system stays current.

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'Whys' and 'Hows' of Forming HCs Explained by Consultant McNerney

Tom McNerney is a St. Louis-based consultant to banks. His firm, McNerney & Associates, specializes in assisting bankers with legal, regulatory, tax and general business matters involved in forming one-bank HCs. The question-and-answer article that follows is based on Mr. McNerney's pamphlet, "What Every Director Should Know About Bank Holding Companies."

* * *

WHY DO BANKS form HCs?

In general, multi-bank HCs are formed to expand customer and deposit bases, provide for entry to new, attractive markets and for acquisition of smaller banks. Community banks — which have formed the majority of one-bank HCs — are interested in maintaining local ownership and capital ratios and facilitating ownership transfer to new control groups.

Why should a bank form an HC?

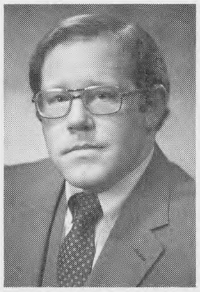
The reasons listed below are most commonly cited:

- Maintain local ownership.
- Provide liquidity to shareholders through stock redemption.
- Repurchase of out-of-state shares.
- Add equity capital with pretax dollars.
- Engage in activities not permitted a bank.
- Enter new markets.
- Provide for possible estate planning by the bank's owners.
- Acquire additional banks.
- Facilitate the transfer of ownership.

If a bank has no plans to expand its market or services is a one-bank HC still a good idea?

Yes. The bank HC structure can provide marketability — subject to some limitations — of the HC's shares through stock redemptions. The HC can, therefore, provide liquidity to shareholders who desire to sell their stock. This benefit is particularly important to community banks wishing to maintain local ownership because the HC can repurchase shares, including out-of-state shares, hold them as treasury stock for resale to local individuals, retire them completely or use the repurchased shares in funding or establishing pension or stock-option plans.

The HC structure also offers the ability to provide additional equity to a bank with its pretax dollars. This occurs when a one-bank HC borrows from an outside creditor and uses the funds to purchase subsidiary bank stock or to contribute capital to the subsidiary bank. The HC provides a vehicle other than the directors, officers, or shareholders for supplying capital that may be required by regulatory agencies, for increasing the bank's lending limit or simply for prudent banking. Many community banks use the HC structure as part of their capital-maintenance planning.



McNERNEY

How does a bank become an HC?

The bank must apply to the Fed for permission to acquire the bank's stock and must comply with all applicable Securities & Exchange Commisson (SEC), Internal Revenue Service (IRS) and other federal and state agency regulations.

What are the basic ways to become a bank HC?

First, the stock can be purchased with cash or notes. Second, bank shareholders can exchange their stock for an equal value of bank HC stock. Third, an "interim" or "phantom" bank can be chartered. This bank is owned by the bank HC and eventually is merged into the real bank with shareholders exchanging their bank stock for HC stock.

When are each of these methods used in forming a bank HC?

The type of transaction used in forming an HC depends on the objectives of the company's incorporators and the legal, tax and regulatory constraints in meeting these objectives. A "hybrid" transaction occasionally is necessary because of conflicting requirements of federal and state securities laws and IRS and federal-banking laws. The purchase of stock with cash or notes usually accompanies transfer of ownership and involves funding the HC with a down payment and the borrowing of funds by the HC. The exchange of shares and the phantom bank generally are used to reorganize into the bank HC structure.

Which method should a bank employ?

It depends on management's objectives, but only the interim or phantom bank merger can be certain to result in the HC owning 100% of the bank after formation. We recommend — absent any other mitigating circumstances — that bank HCs be formed through interim or phantom mergers.

Why is it desirable for the bank HC to own 100% of the bank stock rather than just the 80% needed to file a consolidated federal income-tax return?

Many bank HCs are formed with less than 100% ownership, but usually only when financing or other considerations outweigh the lack of flexibility caused by the remaining minority shareholders. By not owning 100% of the bank stock, the HC has to consider the impact these minority shareholders will have on its future activities, such as special dividends or acquisitions.

How would a phantom bank merger be accomplished?

Even though the phantom bank effectively exists on paper only, it is a corporate entity that must be chartered by the appropriate regulatory agency and legally merged with the existing bank. Each shareholder will receive a document explaining this transaction. A shareholders' meeting then will be called to vote on the merger. If the required majority votes for the merger, the bank HC can be formed and shareholders can exchange their shares for HC shares.

What happens to shareholders who choose not to exchange their shares?

They will be able to exercise their dissenters' rights. They can be given a fair value, in cash, for their bank stock and the HC then will own 100% of the bank's stock.

Where will the money come from to buy out dissenting shareholders?

In some cases, it will come from a third-party creditor, such as the bank's correspondent. Because the bank and the HC will be able to file a consolidated tax return, a tax benefit is created. This tax benefit allows the bank HC to pay off its loan more rapidly because Uncle Sam picks up 46% of the HC's interest expense.

Will shareholders have to pay any additional tax because of this transaction?

The HC can be structured so that the transaction qualifies as a tax-free reorganization. Therefore, shareholders who exchange their shares will not be taxed until they sell their HC stock. Shareholders exercising dissenters' rights and receiving cash for their stock must recognize the gain but probably will pay the lower capital-gains tax.

What are the drawbacks?

The initial cost of forming the HC is the primary drawback. In addition, the non-deductibility of organizational expenses and greater regulation by the Fed may be factors. In some cases, the HC also will be subject to the reporting requirements of the SEC if exemptions are not available.

What does it cost to form a bank HC?

Every formation requires legal, tax, regulatory and consulting expertise to ensure a trouble-free formation. In addition to fees for professional services, there usually are filing fees and fees for registering the HC's stock. Fees for professional services constitute the largest portion of the initial cost, and fees and complications will vary as a function of the number of stockholders a bank has, not of a bank's asset size.

Are there any annual or recurring costs?

Yes. As a corporation, the HC will be subject to certain taxes just as any corporation would be. If the HC will be subject to the reporting requirements of the SEC, financial statements audited by a CPA will be necessary.

Will a bank HC be required to register with the SEC?

Possibly. However, federal securities laws allow several exemptions from registration. Bank HC formations often can qualify for these exemptions.

Is the additional Fed regulation and supervision overly burdensome?

There will be an additional regulatory burden, but the Fed has attempted to keep it to a minimum consistent with its responsibility for the safety and soundness of the nation's financial system. As long as the HC and the bank are adequately managed and in satisfactory condition, the Fed probably will not inspect the HC more than once every 18 to 36 months. The Fed requires periodic reports similar to a bank's call reports.

How can shareholders who exchange their shares be certain they will not have to pay taxes because of the transaction?

We recommend that the bank request an IRS ruling on the transaction to make sure it qualifies as a tax-free reorganization before proceeding. Because the facts of each proposed HC formation are different from bank to bank, we advise our clients not to rely on previously issued IRS decisions.

Will the HC stock be as valuable as the bank stock?

If every shareholder exchanges his/her stock, the proportional ownership of stock will not change, and since the HC will own the bank, each share of bank HC stock will be worth the same as the bank stock. But since the HC is permitted more leeway in the range of its activities, bank HC stock could have greater value or offer more flexibility to shareholders. If some shareholders exercise dissenters' rights and receive cash for their shares, the remaining shareholders will own a proportionately larger share of the HC than they did the bank.

I presently have a will and wish to leave my bank stock to my children. How will this transaction affect my will and the value of my estate?

In an exchange or reorganization, a bank shareholder is exchanging his/her "blue" stock certificates for "green" stock certificates of equal value. Because a change in corporate entity occurs, however, we recommend that a bank shareholder consult an attorney on any amendments to wills that might be required.

Who will serve as directors of the bank HC?

Usually the directors and executive officers of the bank serve as HC directors. Note that directors and officers of the HC will have the same authority as under the bank's structure unless, of course, shareholders and directors, respectively, authorize additional responsibilities.

Who elects directors of the bank and the HC?

The bank HC holds its annual shareholders meeting and shareholders elect directors. Because the HC owns 100% of the bank's stock, directors of the bank HC elect directors of the bank.

How often does the board of the bank HC meet?

As often as is required in the bylaws. Usually, the board would meet quarterly or semi-annually to conduct its business and to declare dividends to shareholders.

Do officers and directors of the HC get paid for their services?

Because the HC usually has limited activities, officers and directors often serve without pay. HC officials can be compensated for their services, however.

Will HC dividends be the same as for the bank?

Usually, the bank's and the HC's dividend are the same because the same directors declare both dividends. There may be occasions, however, when the bank will pay more (or less) dividends to the HC than the HC will pay to its shareholders. For example, the bank may wish to pay the HC's operating expenses or to retire the HC's debt.

How does the HC earn money to pay dividends?

The HC earns a return on its investment, namely the bank stock. Bank directors declare dividends just as they would have without the HC and these dividends are paid to the HC. Because this income flows to the HC tax-free, directors can declare the same amount of dividends for HC shareholders.

Do bank minority shareholders receive dividends from the bank and the HC?

No. Minority shareholders of the bank receive only their share of any dividend declared by the bank. Minority shareholders of the bank would receive, however, their pro rata share of any extra dividends declared by the bank to fund the operations of the HC. This is one important reason for the HC to own 100% of the bank's stock.

Is Fed approval of the HC transaction pretty much of a formality?

No one can guarantee Fed approval, but a well-conceived, well-structured and well-prepared application nearly always receives favorable consideration. The Fed is very cooperative with applicants who have a transaction that makes good business sense and who present their case in a logical, straightforward manner. Be sure to structure a transaction which meets objectives, makes good business sense and maximizes likelihood of approval.

Can a bank use its own personnel to form an HC?

Possibly. A bank may have the securities and tax law expertise and resources, either in-house or on its board, to properly structure the transaction. Consider the process as much like building a home, with the attendant problems of complying with all relevant building codes and the need to coordinate workers so the house is ready when it's time to move in. ● ●

Helping Bankers Cope Through Consultants

(Part II. First Article Appeared in April, 1984, Issue)

STRATEGIC PLANNING. That seems to be the rallying cry of commercial bankers today in the face of deregulation, growing competition, not only from nonbanks, but from thrifts and even the Fed, and the possibility of being granted, through legislation, powers to offer many more services than now are allowed banks.

However, effective strategic planning is elusive both because it is unfamiliar and because it is inherently difficult, says JoAnn S. Barefoot, president, J. S. Barefoot & Associates, Inc., Columbus, O. Ms. Barefoot, by the way, is a former deputy comptroller of the currency in Washington, D. C., and her responsibility was to enforce consumer laws affecting national banks. Today, her firm's staff gives banks support services to make compliance easier and/or less costly.

"Financial institutions, in particular," Ms. Barefoot points out, "know they need better strategic positioning, but are struggling to achieve it. Many have been too busy with survival to engage in systematic planning. Others have used standard planning guides, material from conferences or in-house efforts that simply have been overwhelmed by the challenge."

Another consultant, Marshall D. Sokol, president, MDS Consultants, Inc., White Plains, N. Y., points out that fewer and fewer banks, regardless of their sizes and market positions, maintain all the resources and expertise internally to meet all the decision-analysis requirements of a fast-changing environment.

"Fewer and fewer banks, regardless of their sizes and market positions, maintain all the resources and expertise internally to meet all the decision-analysis requirements of a fast-changing environment."

Deregulation, according to Arnold G. Danielson, managing director, Danielson Associates, Columbia, Md., has set in motion changes that are transforming the structure of the financial-services industry. The changes are so substantial, he adds, that it is difficult to understand where they will end, and the only thing most participants seem to agree on is that survival will require an adaptability and cost consciousness that were not necessary in the past.

Complex and competitive are words used by Strategic Solutions Co., Golden, Colo., to describe the changing environment of the financial industry. According to the firm, the many issues facing financial institutions today have become national topics of great concern, and the burden, of course, is on industry management to anticipate the problems and act effectively to maintain and strengthen their profitability.

The comments made above reflect the philosophies of the consulting firms. However, exactly how can they help banks plan strategically?

No Wasted Time. J. S. Barefoot & Associates works with senior management to create a process through which the organization grows into a clear vision of itself, its future environment and how the two should fit together. Ms. Barefoot maintains her firm also prevents one of the greatest problems in strategic planning: wasting senior management's time. Strategic decisions, she continues, must be made by top executives with no surplus time. She says her firm's service avoids this problem by taking on the time-consuming aspects of the process and producing tangible progress between each meeting of the executive team. In so doing, she believes it prevents the frustrations, delays and other pitfalls that beset most strategic planning.

Specifically, J. S. Barefoot & Associates provides:

- Establishment of strategic-planning objectives, with clarification of what the process realistically can achieve.
- Advice in organizing a strategic-planning committee and setting a schedule.
- Structuring of planning meetings that sharply address the critical questions, without wasting time.
- Participation in committee meetings, acting as discussion leader, devil's advocate/information source/general pathfinder.
- Development of a "SWOT" analysis of the organization's strengths, weaknesses, opportunities and threats.
- Development of an environmental scan that analyzes trends in economics, demographics, competition, customer expectation, politics, etc., that will affect the institution five to 10 years in the future.
- Analysis of how the institution's history should affect its future plans.
- Distillation of the committee's work into a concise written mission statement and strategic plan.
- Help with communicating the mission and plan to employees, stockholders and others with stakes in it.
- Creation of an implementation scheme and help in taking initial steps to bridge planning with implementation.
- Renewal of the process as the in-

stitution and the world change.

As an illustration of how her firm works, Ms. Barefoot cited a large midwestern bank HC, which eliminated its internal-audit function in 1983 and replaced it with the audit service provided by J. S. Barefoot & Associates. Over the year, the firm audited 19 of the HC's affiliate banks throughout its state, recommending ways to strengthen and improve the efficiency of compliance operations. Thus, the HC was able to use its auditors' time for other priorities and, as Ms. Barefoot, puts it, "to rely on our superior expertise in the highly technical compliance field."

Late in the year, the firm analyzed results of its audits and addressed them in a training session for the 23 compliance officers of the HC's affiliate banks. The program cost the HC thousands of dollars less, Ms. Barefoot maintains, than it would have spent to attend national or regional compliance conferences. It also, she adds, had the quality advantage of focusing on only the specific compliance needs of this HC's banks.

As a result of J. S. Barefoot & Associates' compliance program, the HC simplified a compliance examination by its primary federal regulatory agency last year. According to Ms. Barefoot, the examiners were satisfied with the scope and quality of her firm's review and relied on its findings in lieu of making on-site visits beyond the lead bank. This, too, she points out, saved the HC significant time.

In contrast to this tailored large-bank service, says Ms. Barefoot, the firm offers smaller banks a more basic compliance-support package that costs less than they would spend to maintain in-house expertise for the same services. This package includes:

- An annual audit.
- Training for new personnel/new regulations.
- A place to call for answers to questions.
- Full monitoring and tailored information on regulatory developments.
- Help with examination/litigation problems.
- If desired, development or updating of compliance-management systems.

Strategic Planning. Ms. Barefoot's firm has developed a strategic-planning process specifically for small and medium-sized institutions.

"Unlike some of the strategic planning offered by larger firms," she explains, "ours is a tailored, one-to-one program in which we act as a guide or 'pathfinder' to help a client come to grips with its strategic goals. Our firm provides a planning framework, information and analyses on the competitive environment and materials that structure planning discussions to minimize planning time. We also do the necessary writing, capturing the client's planning progress in clear, brief documents that advance the process. Perhaps most importantly, we serve as impartial listeners with broad perspective and ability to help the client identify, communicate and build enthusiasm for its long-range goals."

Customer-Base Analysis. MDS Consultants provides market strategy/development, product development/management and operations design/development services. For example, with respect to market strategy/development, MDS performs customer-base analysis of a bank's commercial markets, compares the customer base to the total commercial population according to 15 market-segmentation criteria and then helps the bank in defining the most profitable target markets.

In some instances, at a bank's request, MDS Consultants conducts a market-research survey of the business population in the bank's defined market region(s) and uses these data to determine what banking services currently are being used and those planned for future use. Data from the customer-base analysis, statewide population and market research then are combined into a data base, which supports an existing central-information file (CIF) from which MDS Consultants builds or acquires an appropriate CIF for the bank. This helps the bank not only in assessing its current market status and posture, says Marshall D. Sokol, president of MDS Consultants, but also in planning and monitoring market penetration and performance over time.

With respect to product development/management, MDS Consultants performs product-requirement analyses for new products or existing product enhancements based on market needs identified in its market-analysis services. The firm then provides product definitions and functional specifications, including operations and service-support requirements for each relevant product and service.

As for operations design/development services, MDS Consultants evaluates demand-deposit-account/item-processing/branch operations and specifies the enhancements, features and capabilities required to improve the cost, efficiency and profitability of the operations that support the commercial products and services of the bank.

The firm's clients include major money-center and regional banks, plus several country and community banks that have set objectives for increasing their commercial-customer bases.

Three-Step Operation. Danielson Associates, Columbia, Md., says its

Mortgage-Lending Expertise Offered by Virginia Firm

SPECIALIZATION in mortgage finance and the secondary-mortgage market is offered by the consulting/educational firm, Barrentine Lott & Associates (BL&A), McLean, Va. The firm offers what it describes as strategic, operational and financial expertise in four major areas:

- Asset/liability management.
- Mergers/valuations.
- Training/education.
- Mortgage lending/secondary-mortgage market.

BL&A says its client engagements range from limited special-purpose consultation to comprehensive business-operating-strategy design/formulation/implementation. Its client engagements include:

- Designing/implementing mortgage-lending programs/secondary-market operations to improve profitability.
- Developing/implementing restructuring strategies and asset/liability-management plans to improve financial performance.
- Financial simulations/profit forecasts.
- Independent transaction analysis/evaluation using BL&A's computer models.
- Merger/acquisition planning/implementation.
- Business/portfolio valuations.
- Designing/presenting educational/training programs.

managing director, Arnold G. Danielson, has as its basic function helping financial institutions put in place strategic plans for the future. Typically, the firm works with smaller banks — those with under $500 million in deposits — that cannot afford a full-time planning staff and either are new to planning or have been stumbling a bit. In assisting these banks, Danielson Associates goes through a three-step operation:

First, it puts together a background document to make certain planning will be done based on actual facts pertaining to the marketplace and the client's capability.

Second, Mr. Danielson moderates an objective-setting meeting, from which objectives for the next five years tend to surface.

Finally, the firm helps the bank's staff put together a plan based on the purpose and objectives.

Where Danielson Associates differs from a lot of consulting firms that help with planning, according to Mr. Danielson, is that it does not just set up the framework and have bank personnel do all the actual work. The firm does the evaluation and plays an influential role in direction-setting and plan-writing. This is because its experience has taught it that most banks have not done good planning because they don't find time to do some of the mundane background work, says Mr. Danielson, and they often turn to a consultant for direction as well as procedure.

"Interestingly enough," continues Mr. Danielson, "I feel our major contribution to most of our clients has not been the plans that resulted, but the thought processes that were put in motion by our background evaluations. Plans get buried in desks, but once an idea is in someone's head, it stays there, and if you get the right ideas in place, your assistance can be invaluable."

As an example of how his firm can help a client bank, Mr. Danielson cited one of its first clients, located in a small eastern state. Although the bank was one of the largest in the state, it had minimal presence in that state's major market. In the long run, this situation would make it hard to keep pace with its major competitors, and if interstate banking came, the bank would be far less attractive than other banks.

In Danielson Associates' background document and ensuing meeting, this became extremely evident, and the major objective became how the bank could become a major factor in that market. Since the bank was not timid, it adopted a rather drastic step and decided to move its main office to the largest city in the state as a way of getting almost instantaneous presence — and then fleshed this out with additional offices. Not only did this move produce some nice market-share gains, but when interstate banking arrived in the state, Mr. Danielson points out, *the bank was able to command a price of 1.5 times book despite being fairly large and in a state not normally considered highly desirable.*

Unfortunately, Mr. Danielson adds, all examples are not as positive. "Sometimes," he says, "we are hired by banks in trouble that are looking for a panacea. Our background document generally has been disappointing to these banks as it invariably suggests that the plan has to be two or three years of austerity, and that may be only to put them in a better position to sell out. From an outsider, this can be crushing advice, but in each case, it generally has been accepted although, in some instances, only after things have gotten worse."

Strategic-Marketing Planning. The primary area in which Strategic Solutions Co., Golden, Colo., assists banks is strategic-marketing planning, says Diane R. Sauter, one of the firm's consulting directors. This includes, but is not limited to:

Strategic analysis/planning:

• Expertise in internal/external research aimed at helping management construct a thorough situation assessment.

• Focusing strategies on serving key customer groups more effectively.

• Consideration of acquisition/diversification/divestiture or portfolio-

(Continued on page 64)

Credit-Card Fraud Lessened With Help of One Firm

HELPING prevent fraud is the purpose of Associated Credit Services, Inc., Houston, which, although not called a consulting firm, serves banks in an advisory capacity.

The firm points out how it worked with a bank-card-processing center to help prevent fraud of a certain type: attempts to get cards issued through legitimate channels, but on the basis of false information.

Norwest Card Services (Des Moines, Ia.), says Associated Credit Services, estimates it saved between $100,000 and $200,000 in 1982-83 through a program set up in conjunction with the Credit Bureau of Greater Des Moines, a subsidiary of Associated Credit Services. Norwest Card Services is a subsidiary of Norwest Bank, Minneapolis. Here's how the program works:

When Norwest receives an application with serious discrepancies indicating probable fraud, it gives the credit bureau full information. The bureau sets up a computerized file for the questionable applicant and flags it with a special code. If another credit granter accesses the file, instead of a credit report, he receives a message to contact the credit-bureau supervisor.

The bureau supervisor and credit manager then discuss the bureau's efforts to verify the information given by the applicant, and the bureau gives the manager names and phone numbers of any other credit granters who have asked to be contacted when inquiries are received on the individual in question — usually because they already have been defrauded by the applicant.

The alerted credit granter then can avoid falling into the same trap, either by denying the application for credit or by inactivating the account quickly to limit the loss.

Another benefit of having the credit bureau function as a central-information/referral point, says Associated Credit Services, becomes apparent when several credit granters have been defrauded by the same individual or ring. Norwest Card Services' credit department supervisor, Raymond Jones, says the mail-fraud problem has become so massive that the U. S. Postal Service seldom prosecutes any case under $5,000. If no one credit granter's loss is that high, none of them would be able to recover their losses alone. However, Associated Credit Services points out, by exchanging information through the Credit Bureau of Greater Des Moines, several credit granters collectively can demonstrate a prosecutable amount of fraud.

Retirement-Services Questions Specialty of Minnesota Firm

THE RETIREMENT AREA is the specialty of Universal Pensions, Inc. (UPI), Brainerd, Minn., which says it can provide financial institutions with immediate and accurate answers to individual-retirement-account/HR-10/simplified-employee-pension (SEP) and other retirement-services questions. For nearly a decade, UPI has been providing retirement-account administrative/consulting services.

The firm's staff is comprised of certified public accountants, attorneys and retirement-account specialists, who work with financial institutions full time, year round. It offers unlimited toll-free services and a *Monthly Retirement-Services Bulletin*, which, according to the firm, contains accurate, easily understood information. The bulletin's monthly articles describe law changes as well as interpretations and directions for dealing with IRA/HR-10/SEP accounts.

UPI points out how it helped in a recent situation. Retirees of a large financial institution were receiving lump-sum distributions from their retirement plan consisting of cash and stock. Many wanted to roll their funds into an IRA. UPI clarified the procedures and methods to accomplish these rollovers. If this had been done improperly, UPI maintains, it could have resulted in adverse tax consequences for these individuals and probable ill will for the financial institution from which they were retired.

Atlanta Consulting Firm Performs Merger Studies To Determine Viability

Merger operations is one of the specialty services consulting firm Ross, DeLany & McGarvey, Marietta, Ga., is offering banks. The firm performs pre-merger diagnostics and post-merger implementation, says James McGarvey, executive vice president.

The firm sends a task force into a bank or HC and performs a detailed on-site analysis of productivity, work flow, etc. Dollar values are assigned to these activities so productivity improvements can be measured cost-wise.

One of the primary values of a task force of nonbank consultants is its ability to see where improvements can be made in productivity and work flow, Mr. McGarvey says. Management often doesn't recognize cost-saving opportunities in this area.

The firm recently studied the productivity of 675 employees of a 2,000-employee multi-bank HC in the southeast. One of the task force's jobs was to determine whether the 12 banks in the HC would benefit from being merged into an institution with one name. The task-force study revealed that the primary savings would occur if the bank's combined their operations.

Of the 675 positions studied, it was determined that 85 could be eliminated through better work flow, Mr. McGarvey says. In addition, 30 more positions could be eliminated through operations consolidation.

All positions were eliminated through normal attrition, he says. The HC placed a freeze on new hiring, except in selected instances, so that, when an individual elected to terminate, someone else on the staff could step in and assume that individual's workload. It's important, Mr. McGarvey says, that determinations be made of how long it takes individuals to perform certain functions. This enables supervisors to assign portions of a terminating employee's duties to others on a piecemeal basis.

For instance, if someone at a branch terminates, that person's duties (which usually are varied) can be divided up among the branch's other employees. But this can't be done efficiently without information about how long it takes to perform each duty.

Ross, DeLany & McGarvey also perform non-interest-expense-reduction, float-management, quality-control and demographic and fee studies for financial institutions.

Consultants

(Continued from page 61)

liquidation strategies.

• Emphasis on higher-yielding assets to improve profitability/capital positions.

Product management/development:

• Assessing need and making recommendations for approach and structure of product management/development functions.

• Improving sales-force effectiveness.

• Product-line evaluation/recommendations on new and existing products to improve customer satisfaction and profit.

Names and addresses of the consulting firms featured in articles in the April and May issues of MID-CONTINENT BANKER are listed for the convenience of readers.

Associated Credit Services, Inc., 2505 Fannin St., Houston, TX 77002.

Bank Earnings International, 3420 Norman Berry Dr., Suite 623, Atlanta, GA 30354.

Barefoot & Associates, J. S., Lincoln LeVeque Tower, 50 West Broad St., Columbus, OH 43215.

Barrentine Lott & Associates, Inc., P. O. Box 3280, McLean, VA 22103.

Danielson Associates, 10451 Twin Rivers Rd., Suite 400, Columbia, MD 21044.

John M. Floyd & Associates, Inc., P. O. Box 742667, Houston, TX 77274.

Littlewood, Shain & Co., 175 Strafford Ave., Wayne, PA 19087.

MDS Consultants, Inc., P. O. Box 1724, White Plains, NY 10601.

MMG Land Contract Service Group, 1014 Main St., St. Joseph, MI 49085.

National Decision Systems, 539 Encinitas Blvd., Encinitas, CA 92024.

Patten, McCarthy & Associates, Inc., 1444 Wazee St., Suite 220, Denver, CO 80202.

Professional Bank Services, Inc., 1000 Lincoln Income Center, Suite 305, 6200 Dutchman's Lane, Louisville, KY 40205.

Profit Technologies Corp., 1776 Woodstead Ct., Suite 117, The Woodlands, TX 77380.

Strategic Solutions Co., P. O. Box 1267, Golden, CO 80401.

Swords Associates, Inc., 4900 Oak, Suite 301, Kansas City, MO 64112.

Universal Pensions, Inc., P. O. Box 764, Brainerd, MN 56401.

• Improving non-interest-expense productivity to deliver services more efficiently.

• Modifying pricing policies to reflect true cost/profitability of various customer relationships/products.

Marketing planning/management:

• Marketing system audits and making recommendations on structure, responsibility, policies and procedures.

• Developing planning systems and annual/long-term plans to improve organization performance.

• Advertising/promotion budgeting and planning/evaluation techniques.

• Advertising-agency evaluation/selection/management processes.

• Name/identity-change analysis/planning/program-management assistance.

Management information/control:

• Strengthening basic financial-management procedures.

• Revising current approaches to asset/liability management.

• Defining and assembling management-information systems for more effective and responsive decision making.

The firm's targets are financial institutions with $2 billion or less in assets.

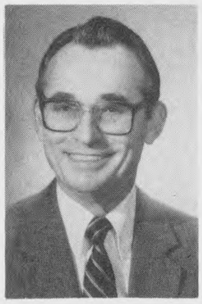
Ms. Sauter cites two specific "success" stories at two community-bank subsidiaries of a billion-dollar-plus Colorado bank HC. Her firm organized and managed intensive strategic-planning projects for these two banks, projects that involved detailed analyses of all current income/expense areas, competition, market changes, customers, regulations and other categories. These analyses resulted in new organizational approaches structured around key strategic leverage points, new and explicit asset-allocation decisions by strategic business units and specific strategies and marketing plans for all customer segments and business units.

Perhaps the case for banks hiring consultants can be summed up best by this quote in a brochure published by J. S. Barefoot & Associates: "Your institution is planning for survival and growth in the new financial world. Your success will depend, in part, on securing knowledge and experience beyond what you currently have in-house." **Rosemary McKelvey, editor.**

• An analysis of soliciting competitive bids for insurance is provided in "Marketing Your Bank's Insurance Program — Why, When and How," a recent issue of the ABA's *Competitech* series. Call 202/467-4118 for information.

James Brown Gets Post With Bank Bldg. Corp.

ST. LOUIS — James E. Brown, who retired early this year as president/chief administrative officer, Mercantile Bancorp, headquartered here, has joined Bank Building Corp. as senior marketing associate. The firm, also headquartered here, has regional offices in Atlanta, Dallas, Denver, San Francisco and Hartford, Conn.



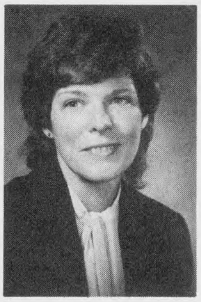
BROWN

In his new post, Mr. Brown serves in an advisory capacity to Bank Building's president/CEO, Carl H. Weis, and its senior vice president, Rex H. Dunlap, and works closely with Thomas Williamson, national sales manager.

Mr. Brown joined Mercantile Trust, St. Louis, in 1945. Subsequently, he headed the bank's marketing, sales, metropolitan and correspondent banking divisions before being elected president/administrative officer/director of Mercantile Trust's parent HC, Mercantile Bancorp, in 1971.

During his banking career, Mr. Brown represented Mercantile in formation of Credit Systems, Inc. (CSI), which processes MasterCard and Visa credit-card transactions, and was CSI's first president.

Midwest Financial Group, Peoria, Ill., has elected six new directors and appointed three new corporate vice presidents. New directors are Seth G. Atwood, Atwood Vacuum Machine Co., Rockford; William Barnes III, president/chairman/CEO, Citizens National, Decatur; Robert M. Ritchie, chairman, Corn Belt Bank, Bloomington; Donald E. Nordlund, A. E. Staley Manufacuring Co., Decatur; Harold B. Steele, Princeton farmer; and Harry M. Petrie, president Corn Belt Bank. New vice presidents are Dale P. Arnold, formerly senior vice president, Citizens National, Decatur; William A. Richards, president/director, First Trust & Savings, Kankakee; and Harlan A. White, senior vice president/director, Citizens National, Decatur.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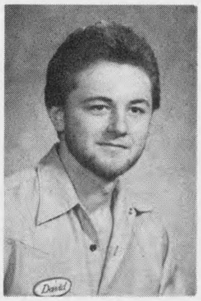
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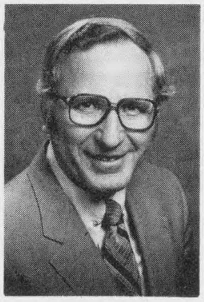
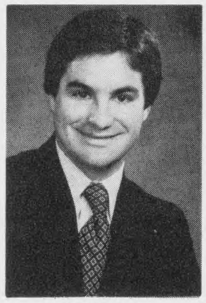
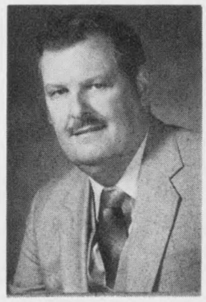

KURTENBACH


THOMPSON


MARTIN


HEISER

• **SignMaster Corp.** David Hutchison has been promoted to neon/pattern specialist at this Jonesboro, Ark.-based firm. Mr. Hutchison previously worked for SignMaster in plastic forming, welding and sheet metal.

• **Sendero Corp.** Clifford Myers has moved up from vice president to president/CEO of this Phoenix-based firm. Theodore Kraver, one of the founders of Sendero, has been elected as the firm's chairman.

• **Daktronics, Inc.** Aelred Kurtenbach, president/co-founder of this firm, headquartered in Sioux Falls, S. D., has been named South Dakota's "small businessperson of the year." The award is presented annually in each state to a businessperson for personal achievements in his/her business, state and nation. Dr. Kurtenbach is being honored at the national conference of the U. S. Small Business Administration in Washington, D. C., May 8-10.

• **Christmas Club a Corporation.** Don Heiser and Judy Alick have been named product managers at this Easton, Pa.-based firm. Joe Martin has been made account executive. Mr. Heiser was plant manager at the firm, where his responsibilities now include sales/marketing of coupon books and passbooks. Ms. Alick was a million-dollar salesperson for Century 21 Real Estate before joining Christmas Club. She now is responsible for sales/marketing of the advertising/checks/display division. Mr. Martin had been affiliated with CPI Corp., St. Louis. At Christmas Club, Mr. Martin is responsible for marketing its savings-account programs and other services offered by the firm to banks and other financial institutions in Missouri and southern Illinois.

• **Kuhlmann Design Group, Inc.** This St. Louis-based firm has appointed William Kuhlmann director of marketing/public relations and Nancy Costantinou assistant director. Mr. Kuhlmann's responsibilities include new-business development, specialized industry promotion and media relations/corporate-marketing strategy. In addition to her duties as executive secretary, Ms. Costantinou assists Mr. Kuhlmann by publishing the corporate newsletter, contacting news media and coordinating all marketing/advertising projects within the department.

• **Littlewood, Shain & Co.** Edward L. Maddox has been promoted to senior vice president at LSC, headquartered in Wayne, Pa. In his new post, he holds responsibility for management of one of the firm's major consulting-service lines and associated products related to funds management. Mr. Maddox joined LSC after a decade of operations-management in a $2-billion regional commercial bank. He is the author of two Bank Administration Institute publications, *Check Float in the Commercial-Banking Industry* and *Float: A Guide for the Community Banker*.

• **Brandt, Inc.** Ronald L. Cooper has been named vice president-finance/treasurer of this Watertown, Wis.-based firm. He joined the company in 1978 as director of financial planning and, in 1979, was promoted to treasurer/chief financial officer.

• **InnerLine.** This Arlington Heights, Ill.-based "electronic-communications utility" for the financial industry has made the following appointments: to national sales manager, Harvey A. Kay; to advertising/sales-promotion manager, Susan Pfeifer; to product manager-financial management, Joseph M. Crews, Ph.D.; to product manager-executive management, Jerome J. Haley; to retail-product manager, Lee P. Breitkopf; to product manager-funds management, Vincent S. Malinowski; to product manager-communications, Charles J. Obie; and to client-support representatives, Myra Howerton, Joyce A. Konecny, Ann Lark, Frederick Madeira, Mark W. Egan, Carolyn Foreman, Catherine Jarzombek and David C. Reba.

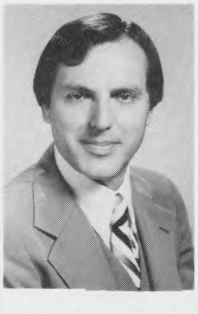
• **Blanken Associates.** Frank M. Thompson has been named corporate vice president of this Little Rock-based management-consulting firm. He previously was president, SALFASCO, a seçondary-marketing organization, which is a Blanken Associates division. In other action, Blanken has named Bob L. Rocke an account executive and J. Shannon Fleming staff consultant. Mr. Rocke most recently was a special representative for an international management-consulting firm. Mr. Fleming is a recent graduate of Louisiana Tech University, Ruston.

• **Bank Earnings International.** Eric T. Duncan Jr. has been named vice president of this Atlanta-based firm. He had been executive vice president of a Georgia bank and a bank consultant with Prophet Counsel, a consultant group owned by Memphis' Union Planters National. He also had been a senior bank examiner, Office of the Comptroller of the Currency. Mary Miller has joined BEI as assistant vice president, trust consulting group. She formerly was a trust officer at First National, Atlanta. BEI is a subsidiary of BEI Holdings, Ltd. Another subsidiary, Electronic Banking, Inc., also in Atlanta, has named Michael Marcus senior research associate.

• **Blanken Associates.** Charles L. Tull has joined this Little Rock-based firm as vice president, consulting division. He formerly was senior vice president, human resources, First Commercial Bank, Little Rock. While at that bank, Mr. Tull was instrumental in creating its planning/market research department.

The Racer's Edge — Budgeting Coupled With Optimization

By David L. Wark



David L. Wark is e.v.p., National Bank of Commerce, Memphis, and ch., Commerce General Corp., data processing subsidiary of NBC, which he joined in 1973 as chief financial planning officer. He has served as sec./treas., National Commerce Bancorp, Memphis, NBC's parent company. Mr. Wark formerly was with American Express International Bank as a.v.p., planning/budgeting, and, before that, was director of corporate planning, American Express Co.

HAVE YOU ever thought about how you do budgeting, especially balance-sheet budgeting? The objective is clear — we want more net interest income next year, and there are only five ways to get it: (1) Improve the contribution from a more profitable mix of sources and uses; (2) increase the volume of earning assets with positive spreads; (3) increase risk exposure in order to improve margins; (4) tinker with bank policy by altering liquidity levels, loan/capital and loan/deposit ratios in order to improve the percent of earning assets to non-earning assets and; (5) recover past taxes paid or use tax shelters to better advantage.

As we all have discovered over the past several years, the traditional budget process does not lend itself to the task of analyzing which of the five ways or which combinations of the five ways hold the most promise for achieving our *potential* net interest income next year.

What's wrong with the budget process? It does in fact produce a financial plan. But it's not so much the plan we worry about as the quality of the plan. Going back to concepts, the budget process originally was designed by people with accounting responsibility to keep track of management commitments. Its features have been refined and tuned to the point of providing excellent information to track and analyze variance against budget and variance against prior periods, and here it shines.

Our financial records already tell what we made in October of this year and in October of last year and year-to-date this year and year-to-date last year. As is always the case, the earnings for each of these periods is different and we really care to understand why! If we don't figure out why, negative trends may well continue (leading to a bank out of control) while positive trends will forever remain a delicious mystery, ebbing and flowing without any apparent reason.

The budget-variance report always has been and continues to be a superb tool for understanding the underlying economic characteristics that drive net interest income, also for developing specific departmental insight useful for making mid-course corrections — absolutely clarifying the reasons for under or over achievement of the budget.

Look at Exhibit A (see page 68) for a few minutes and you will notice that assets and liabilities are listed in the first column followed by period balances and interest income and expense for each period; e.g., in this example, November and December.

The next section (reading from left to right and titled "VARIANCES") contains a clinical analysis of all the possible reasons that could produce results at variance with our budget. For example, for each source of funds there always are only four reasons for different income figures:

- Volume Variance — either volume was higher or lower than budget or higher or lower than prior period.
- Rate Variance — either the rate was higher or lower than budget or higher or lower than prior period.
- Period Variance — the current actual period may differ from budget or from prior-period actual.
- Mix Variance — the mix of funds may differ from the budgeted mix or from prior-period mix.

With regard to this list, the first two are fairly easy to see: If rates are held constant and volume actually is higher, then income will be higher. Additionally, if volumes are held constant and rates actually are lower, then income will be lower. To figure out these variances we use a little "make believe." For example, when calculating volume variance, we pretend the rates have not changed, and for calculating rate variance, we pretend the volume has not changed. In this way we actually can isolate the effect on net interest income of the actual upward or downward movements in rates and volumes.

For December vs. November, volume variance is up $706,000 and income effect is up $7,648. For the same period, rate variance is down .06% and income effect is down $580. Period variance is 31 days vs. 30 days and income effect is up $4,228.

Notice the mix-variance column has no account detail but figures are shown for total loans. Mix variance by definition must involve two or more accounts or no mix change is possible. Consider the following example (not related to the exhibit):

	Earning Assets		Loan Rates	
	Mo. 1	Mo. 2	Mo. 1	Mo. 2
Loans	60	50	11.0	11.0
Securities	40	50	9.0	9.0
	100	100		

In this example, the total volume of earning assets in each month is $100 million and the rates in each month have remained the same, but income has fallen significantly because $10 million in loans earning 11% have been replaced by $10 million in securities earning 9%. Two percent on $10 million for one year represents a $200,000 drop in net interest income and all of it is attributable to mix variance.

Similar examples are available for each earning asset and funding source. And to the extent that the budget fixes departmental responsibility within the bank for volume and rate goals, then responsibility via the variance report can be fixed by department for either under or over achievement against the budget commitment.

Up to this point we have not proved much except that the budget, coupled with variance analysis, is a wonderful tool for tracking, explaining and assigning responsibility for performance against budget goals.

All of this analysis assumes that budget goals are worth achieving or are relevant to bank potential and represent intuitively good targets; and, of course, these assumptions may be

nonsense. In other words, the process of budgeting does not necessarily ensure getting a good budget. Remember the five ways to improve net interest income:

- Improve mix
- Increase or decrease volume
- Enlarge margins
- Change policy
- Recover taxes, etc.

Somehow in the balance-sheet planning process each of these five opportunities must be addressed individually, collectively and selectively in combination.

The budget is what you get after the analysis is over. Planning is required to identify the best possible and achievable budget, given your bank's unique resources and opportunities. If we had all the time in the world, it conceivably would be possible to test, in some logical order, each of the balance-sheet accounts and then observe the resulting effect on net interest income. The difficulty is that if you change more than one account at a time, you will lose track of the specific contribution each change made to net interest income. But the job has only just begun, because there also are dozens of different hypothetical interest rates that could occur, and then, changes in loan/deposit and/or loan/capital ratios will have additional effect. Eventually tax rates come into play and demand attention.

What we desperately need is a process that will take all of these possibilities into account, all of our realistic management options into account, and then select from that infinite number of options the one best combination that will produce more net interest income than any other. With the right tools, the job is far easier than you would think.

It would be useful at this point to draw another distinction between budgeting and balance-sheet planning. Budgeting and variations of budgeting tell us what we *could* do without regard to a thorough analysis of all possibilities. On the other hand, balance-sheet planning — if done systematically — will tell us what we *should* do, given our objectives and analytic assessment of the income potential of each management option. The tool that must be used to accomplish this analysis is nothing more nor less than the process of "optimization."

The nice part about optimization is that it requires only a modest amount of data — the focus is on management options.

Here are the six steps necessary to identify your best balance sheet plan for next year:

- Establish a chart of accounts that identifies those loans, securities and funding sources over which you can exercise some control or influence.
- Decide how much control or influence you can bring to bear in each account. For example, if short-term commercial loans currently are averaging $40 million, could you raise those totals to $46 million and/or lower them to $35 million within the next 12 months? If these were the choices, then the balance sheet "optimizer" would be given the task of finding the best and most profitable position between $35 million and $46 million. In a similar fashion, bank management would define practical management ranges for each loan, security and funding source in the balance sheet.
- Identify three interest rates: (a) The current average rate for each account; (b) The new rate for additions to each account; (c) The rate for those

EXHIBIT A

ALMS TEST BANK
ALMS(TM) SIMULATION MODULE

INCOME VARIANCE ANALYSIS

	DEC 1983 ACTUAL			NOV 1983 ACTUAL			VARIANCES				
	AVERAGE BALANCE	RATE	INCOME/EXPENSE	AVERAGE BALANCE	RATE	INCOME/EXPENSE	CALENDAR	VOLUME	RATE	MIX	TOTAL
INCOME											
U.S. Governments	8,395	9.22	65,739	8,369	9.16	63,008	2,121	196	414	-	2,730
Agency Securities	2,917	9.32	22,655	2,894	9.38	22,621	-	180	-146	-	34
Municipals	2,304	5.49	10,541	2,289	5.55	10,587	-	69	-115	-	-46
Other Securities	3,233	8.79	23,682	3,116	8.67	22,513	-	845	323	-	1,169
Total SECURITIES	16,849	8.73	122,616	16,668	8.55	118,729	2,121	1,289	476	1	3,887
Commercial Loans	11,762	13.12	131,064	11,056	13.18	119,768	4,228	7,648	-580	-	11,296
Instalment Loans	9,474	14.33	115,305	9,169	14.44	108,822	3,720	3,620	-857	-	6,483
Credit Card Loans	2,316	21.00	41,307	2,283	21.00	39,405	1,332	570	-	-	1,902
Total LOANS	23,552	14.38	287,676	22,508	14.49	267,996	9,280	12,431	-1,437	-593	19,681
Fed Funds Sold	2,212	9.50	17,848	2,284	9.33	17,515	576	-552	309	-	333
Reverse Repo's	221	9.63	1,808	195	9.50	1,523	58	203	24	-	285
Total FED FUNDS & REPO'S	2,433	9.51	19,655	2,479	9.34	19,037	634	-353	333	4	618
Total Non Earning Assets	5,018			4,903							
Total INTEREST INCOME	47,852	10.58	429,948	46,558	10.60	405,763	12,035	11,277	-628	1,501	24,185
EXPENSE											
Money Market Checking	4,095	7.20	25,041	3,923	7.12	22,958	808	1,007	269	-	2,084
Total DEMAND DEPOSITS	4,095	7.20	25,041	3,923	7.12	22,958	808	1,007	269	-	2,084
Savings Deposits	4,259	5.50	19,895	4,327	5.50	19,560	642	-307	-	-	334
Money Market Savings	5,482	8.30	38,644	3,468	8.45	24,086	1,247	13,988	-676	-	14,558
Total SAVINGS ACCOUNTS	9,741	7.08	58,539	7,795	6.81	43,646	1,888	10,896	-676	2,784	14,893
Money Market CD's	5,537	9.15	43,029	6,836	8.95	50,287	1,388	-9,556	910	-	-7,257
CD's											
Under $100000	9,450	8.75	70,228	9,168	8.88	66,914	2,265	2,058	-1,010	-	3,314
Over $100000	1,084	9.04	8,323	1,004	8.96	7,394	268	589	71	-	929
IRA Accounts	3,128	9.63	25,564	2,847	9.55	22,347	825	2,206	206	-	3,237
Total OTHER TIME DEPOSITS	19,199	9.03	147,163	19,855	9.00	146,941	4,747	-4,855	177	152	222
Fed Funds Purchased	1,264	9.12	9,791	1,596	8.88	11,649	316	-2,423	249	-	-1,858
TT&L Notes	825	9.27	6,495	794	9.33	6,089	210	238	-41	-	407
Repo's Sold	1,419	9.15	11,027	1,358	9.22	10,291	356	462	-82	-	736
Total SHORT TERM BORROWINGS	3,508	9.17	27,313	3,748	9.10	28,028	881	-1,795	127	72	-715
Total Non Costing Liab.	11,309			11,237							
Total INTEREST EXPENSE	47,852	6.35	258,057	46,558	6.31	241,574	8,324	6,714	-102	1,547	16,483
NET INTEREST INCOME	47,852	4.23	171,891	46,558	4.29	164,189	3,710	4,563	-525	-46	7,702

accounts whose balances are maturing during the next 12 months.

- Decide whether or not rates are variable or fixed for each account, and, if variable, then decide if they vary with prime, fed funds, or T-bills, etc. This linkage assumption will allow for the automatic adjustment of rates if prime is forecast to move up or down.
- Introduce some rate forecast to your liking and enter it in the optimization model.
- Identify loan/deposit, loan/capital, liquidity ratios as well as tax-recovery opportunities.

Now you are ready to run the balance-sheet optimization analysis on an IBM personal computer. Within five to 10 minutes and running at the speed of 500,000 instructions per second, the model will look at 50 to 150 different balance-sheet combinations until it exhausts all possibilities. It will remember and print out the highest earning balance sheet. The one combination that, after having taken everything into account, will produce more net interest income than any other.

This willing balance sheet would then form the foundation for the budgeted interest income and interest expense commitments from each of the bank's balance-sheet-related operating departments.

Once the best budget is locked into place, the budget-control process takes over, and by use of variance analysis each month, management can keep the institution on track toward the most attractive profit goal level. In order to remain competitive, optimization and budget-variance analysis are no longer optional for the well-run bank. Each tool has its legitimate place and each fits in with the others to present a formidable management process.

If you understand and use these tools and your competition does not, then you will indeed have a competitive (racer's) edge. • •

Banking Scene

(Continued from page 70)

number of state banking associations.

One of the primary advantages of the VBES is its ability to update videotapes almost immediately as new legislation or developments warrant such action. The VBES also serves as a backup for bankers unable to participate in live satellite teleconferences.

The banker who misses an important teleconference may be able to view the entire proceedings in his home at his leisure. The price of one conference made available recently on two VHS cassettes was approximately $250. That might seem unreasonably high for one banker or even one bank to pay, but if the tape can be distributed to a number of bankers for viewing when their schedules permit, the price seems a more reasonable investment.

In the future, we probably will see more sophisticated computer software to train bankers. Indeed, there is no better way for bankers to learn how to use a computer than through hands-on experience. Bankers attending the ABA community-banker conference in Phoenix earlier this year learned that.

Many banks underwrite the costs of employee participation in training programs; however, some feel that employees should pay for their training. One fiesty CEO confided to me that his employees generally left his bank after retraining to join a competitor at a substantially higher wage.

There is little doubt that training makes employees more valuable. That value is just as great or even greater to a competitor than to the bank doing the training. After all, the competitor has no investment in the employee's training.

A bank investing heavily in personnel training runs risks. But the risks associated with not making such an investment are even greater. The world of banking is far too complex and changing too rapidly to let employees fall behind. In fact, a bank — indeed, banking as an industry — can make no better investment than educating its own people. • •

Centerre

(Continued from page 22)

There is usually a waiting list of personnel desiring to take the program. It is talked up by the training department and by word of mouth. New employees soon are exposed to lingo that is strange to them. When they inquire about it, they are told they are hearing vocabulary used in the DMT program.

A typical remark is, "That was Q-1 of you!" which, translated, means, "You didn't handle that very effectively!"

Mr. Muskopf likes the program for many reasons, but especially because, "A manager who learns how to practice the skills of communication and benefit statements can get others to become committed to accomplishing corporate objectives."

That's the bottom line of DMT — and it's working at Centerre! — **Jim Fabian, senior editor.**

- **Thomas G. Mudge** has joined the staff of the Graduate School of Banking's Herbert V. Prochnow Educational Foundation as director/external programs. The foundation is in Madison, Wis. Mr. Mudge formerly was with the Graduate School of Bank Management and Public Finance Institute at the University of Michigan's Graduate School of Business Administration. His primary responsibility is to facilitate and coordinate implementation of state-level banking schools in the central states.

• Index to Advertisers •

By Dr. LEWIS E. DAVIDS
Professor of Finance
Southern Illinois University, Carbondale

Innovations In Banking Education

EXAMINE listings of various educational programs in banking publications and you may get the impression that bankers spend their entire lives in classrooms.

The number and breadth of educational offerings available to bankers truly is astonishing. In addition to programs sponsored by the American Bankers Association, there are educational programs sponsored by banking schools and state banking groups. Experts in a number of fields have found their talents in demand and are sponsoring seminars for bankers. Many banks have developed in-house programs that they occasionally make available to correspondents. The American Institute of Banking probably has the world's largest industry training program and many universities have developed well-respected programs for bankers.

A decade ago, costs of attending such schools, including travel, were comparatively modest. But as traveling expenses to distant locations for additional learning grew in the 1970s, banks began to examine the costs associated with delivering such educational opportunities. They realized that traveling to an exotic locale might be fun for seminar participants, but from a cost-benefit perspective, such programs were difficult to justify.

The Bank Administration Institute began to sponsor regional meetings that did not require bankers to travel great distances. These programs proved highly popular. State banking groups began to sponsor educational programs that drew bankers from a five- or 10-county area rather than from throughout the state.

Sponsoring a number of smaller meetings at selected sites throughout the state, rather than a state-encompassing conference held at a location chosen for its proximity to the largest city or central to every point in the state, makes economic sense in an era of resource shortages. Bankers could drive to a six- or seven-hour conference or seminar and be home in time for supper. Costs were dramatically reduced because no overnight stays at hotels or motels were involved.

The Bank Marketing Association developed a number of audiotapes that permitted even further reductions in educational costs. A slight modification of this technique was developed by a number of major banks that sold cassette tapes featuring the voices and accumulated wisdom of such eminent banking-industry authorities as Dr. Paul Nadler of Rutgers University. A banker caught in a traffic jam need not waste the time idly tapping his fingers on the steering wheel to the beat of the music emanating from a tape player. Instead, the banker need only pop an inspirational or educational cassette into the player to learn about trading commodity futures or how to sell new services.

A conference featuring top banking-industry experts can be beamed via satellite to bankers around the globe at a fraction of the cost of flying everyone to a central location.

Satellite communications have been another major improvement in banking education. A conference featuring top banking-industry experts can be beamed via satellite to bankers around the nation at a fraction of the cost of flying everyone to a central location.

Workbooks on bank-related topics have been developed that are especially valuable in educating new employees or retraining bankers being transferred to new functions. The unit cost of the workbooks compared to renting or purchasing videotapes is low; but considerable self-motivation on the part of employees is required for such training methods to be effective.

While much of banking is concerned with finance, bankers also are called on to pick up knowledge from outside their chosen profession. The American Management Association has developed several books and training cassettes capable of assisting bankers learning subjects normally not construed as being within the narrowly defined realm of finance.

Video-training programs for use within a bank are an even more recent phenomenon. A library of such programs permits a bank to take advantage of an extremely cost-effective method of introducing employees to a new specialization.

Employees with home computers can take educational materials the bank has developed for use on a computer home with them in the evening. Employees may even have their own videotape equipment at home that they can use to study materials borrowed from the bank's videotape library. In fact, the growing army of part-time employees and those who tele-commute may find themselves getting an increasing percentage of their training and instructions over a television or computer terminal in their homes.

Larger banks usually find it advantageous to develop or buy training programs. Community banks are an excellent market for the rental of video-training materials. In fact, the Video Bank Education Service (VBES) makes its large library of training materials available to bankers through a

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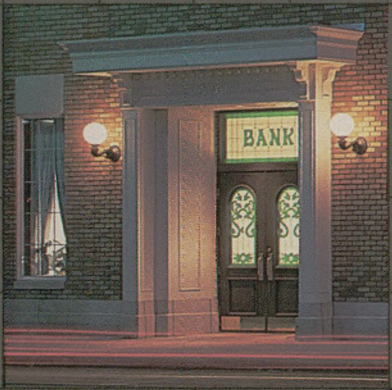

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