MID-CONTINENT BANKER

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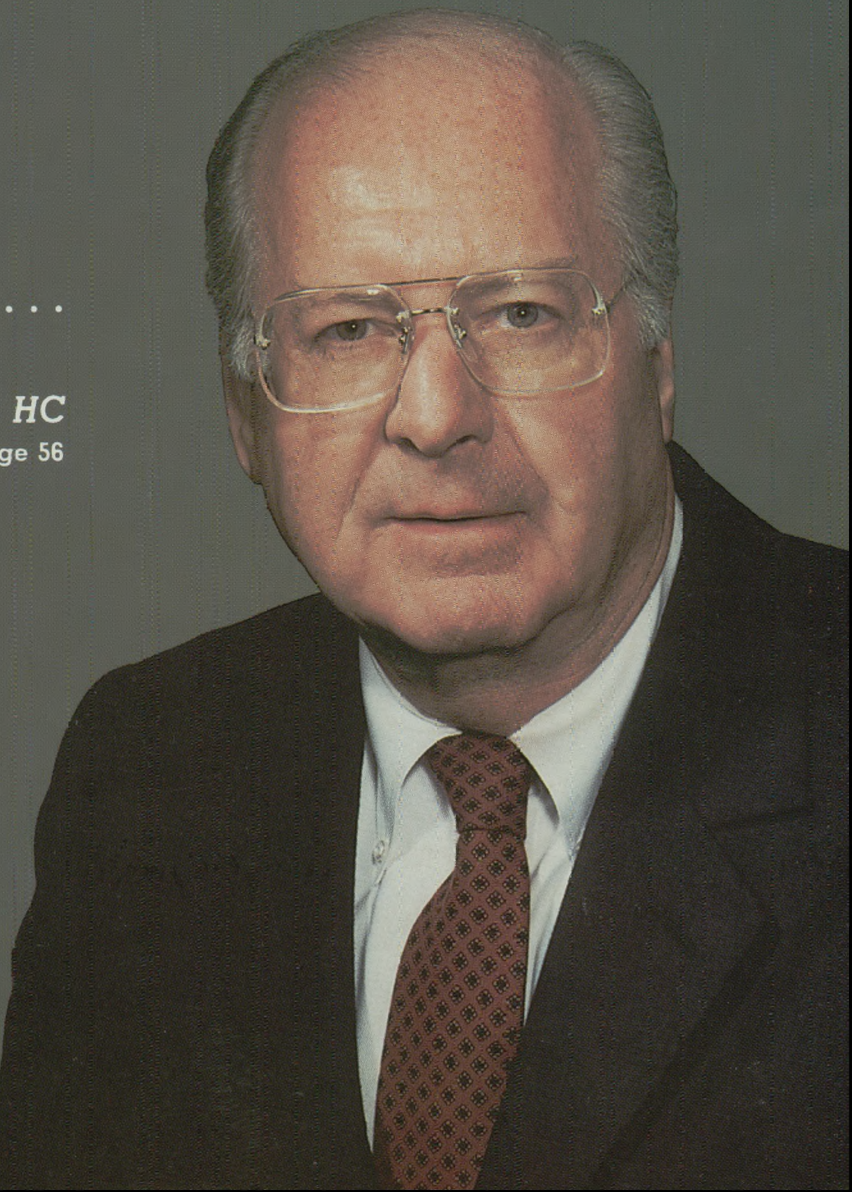

MID-CONTINENT BANKER

(Incorporating MID-WESTERN BANKER)

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Volume 81, No. 3 **March, 1985**

CONVENTION CALENDAR

March 20-21: First Lease Equipment Corp. Seminar, Chicago, Hyatt Regency.

March 24-26: Inter-Financial Association's Travel Services for Banks Conference — New Fee Opportunities, San Francisco.

March 26-29: Bank Administration Institute Check Processing Conference, Dearborn, Mich.

March 26-30: Louisiana Bankers Association Annual Convention, New Orleans, New Orleans Hilton.

March 29-April 2: Association of Reserve City Bankers Annual Meeting, Wesley Chapel, Fla., Saddlebrook Resort.

March 31-April 3: ABA National Retail Banking Conference, San Francisco, Hilton/Tower.

April 11-14: Assembly for Bank Directors Assembly 61, White Sulphur Springs, W. Va., The Greenbrier.

April 14-16: Conference of State Bank Supervisors Annual Convention, Phoenix, The Pointe.

April 14-17: National Automated Clearinghouse Association Conference, Phoenix, Hyatt Regency Phoenix.

April 14-18: Bank Administration Institute Bank Auditors Conference, Washington, D. C., Sheraton Hotel.

April 14-19: ABA Bank Trainers School, Boulder, Colo., University of Colorado.

April 14-19: Bank Marketing Association School of Bank Marketing/Strategic Planning, Athens, Ga., University of Georgia.

April 20-24: Bank Marketing Association Business Development Training Conference, Chicago, Holiday Inn Mart Plaza.

April 21-23: Inter-Financial Association's "Real Estate Brokers/Bankers Join Forces," Los Angeles, Sheraton Universal.

April 21-May 2: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.

April 26-30: Association of Reserve City Bankers Annual Meeting, Boca Raton, Fla., Boca Raton Hotel.

April 28-May 1: Bank Marketing Association Advertising Conference, Chicago, Westin Hotel.

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

Marge Bottiaux
Advertising Production Manager

Nancy Gilbreath
Staff Assistant

Shelia Humphrey
Subscriptions

Editorial/Advertising Offices

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CHASE

Strategic Planning Ever More Important To Assure ATM/POS Usage, Profitability

As ATM saturation nears, bankers must gain an understanding of factors that influence usage of units. These factors include pricing, acceptance and credibility/availability.

ATMs have completed their revolutionary phase — and, perhaps, their period of greatest growth in numbers. The teller-replacement units are expected to be relatively long-lived as a banking fixture, but the balance of their years of favor isn't expected to follow any pattern established in the past.

Rather, ATMs — and their electronic cousins, POS terminals — have reached a maturity that demands a greater degree of sound planning on the part of institutions using them.

For instance, ATMs no longer are exclusive to financial institutions. They're appearing in railroad stations, airports, grocery stores; and their purpose is becoming more varied. They're being used to dispense tickets to entertainment events, paychecks, stock reports and travelers' checks.

Although deliveries of ATMs are expected to level off in a year or two, manufacturers are introducing new models. And additional firms are beginning to produce the machines.

Any banker who thinks ATMs aren't necessary should think again. Also, any banker who feels his/her bank's supply of ATMs is adequate should rethink his/her conclusion.

No one knows just what's going to happen to the ATM/POS market, but it's a sure bet there will be change, and it behooves bankers to be ready for it.

Strategic planning is the process of assimilating a large body of present data, placing the data in perspective of an institutional goal and guessing what course of action is best to achieve this goal, says J. Michael Demma, vice president, National Bank of Washington, D. C. Mr. Demma conducted a session on ATM/POS strategic planning at the recent Electronic Delivery Systems Conference sponsored by the Bank Administration Institute.

"Strategic planning not only is important, it's necessary," he said. "A strategic plan, while a best-guess situation, must remain flexible, merely because it's a best guess."

Bankers involved in strategic planning for ATMs should recognize that ATM programs are in two parts — card issuance and placement. The primary difference between these two parts is expense, Mr. Demma said.

Placement of ATMs is capital intensive; issuance of cards isn't. Networking provides banks without ATMs a chóice: They can take the card-issuance-only route, thus avoiding the high cost of purchasing machines.

The desire to avoid the high cost of machinery makes POS service attractive to bankers, Mr. Demma said. The cost of POS placement falls on merchants, not banks.

A strategic planner should be familiar with the two types of pricing associated with electronic banking: implicit and distributive.

With implicit pricing, each product is fully costed and an appropriate fee is charged for it. The fee is based on the cost plus a profit margin.

Planners are realizing the wisdom of formulating valid consumer fee structures for their institutions, Mr. Demma said.

"As long as we're moving toward having to pay interest on every dollar deposited, shouldn't we charge for every service or product provided?" he asked. Care should be taken to consider market condition, competition and consumer demand before establishing a price.

Distributive pricing is the pricing

ATMs to Proliferate at Supermarkets

ATMs will be appearing in increasing numbers in supermarkets in the near future, according to a spokesman for an ATM manufacturer.

"Given their numbers, locations, the number of customers served and the frequency with which their customers shop, supermarkets would seem to be prime locations for placement of bank-owned ATMs," says Rex M. Fleet, vice president, financial systems, NCR Corp.

Increased ATM installations at supermarkets results from these three reasons:

- Escalating bank costs have made the branch system too expensive to maintain in its present form.
- Significant reductions have been made in ATM-ownership costs.
- Progress has been made toward resolution of issues dividing bankers and supermarket operators on ATM placement in stores.

Mr. Fleet sees this trend as mutually beneficial to banks, markets and customers.

They accelerate checkout time and have the potential to reduce the supermarket's needs for cash on hand.

They provide convenience to bank customers, offer deposit-gathering services, offset some teller costs and reduce need for branches.

They provide customers with convenience of time and location.

mix of a group of related products, Mr. Demma said. Products such as ATM and POS. Distributive pricing can be used to push the consumer to the cheapest product for banks to provide.

Example: "If POS is cheaper to provide than ATMs, then lowering the fee for POS below the ATM fee makes sense to both the consumer as user, and the bank, which is seeking better profit margins."

A strategic planner must be familiar with consumer-usage patterns, Mr. Demma said.

Here's a list of reasons people use ATMs:

- To withdraw cash.
- To get balance inquiries, make deposits, transfers and pay bills.
- Because it's often cheaper than writing a check, ATM transactions usually are free, or, if not, are priced below the cost of writing a check.
- Because there's less hassle with an ATM than at a teller's window.
- To take advantage of the convenience of 24-hour banking.
- To avoid waiting in line.
- Faster transaction time.
- The convenience of network locations.

It's also necessary to know why people don't use ATMs:

- The mistaken belief that the units are often down.
- Errors by the bank in recording ATM transactions. "You can't argue with a machine!"
- Fear of electronic gadgets; distrust in machines over humans.
- Reluctance to accept change. "The old way of writing checks has always worked well."
- Difficulty in keeping records.
- High cost per transaction, especially on network units.

Mr. Demma thinks people use POS for the following reasons:

- As a replacement for writing checks.
- Less hassle than writing a check at a store and going through the approval process.
- POS generally is cheaper than writing checks.
- POS speeds checkouts.

People don't use POS for the same reasons they don't use ATMs plus one other factor: loss of float. Many people don't want instant debiting of their accounts.

Even though customers use ATMs to get cash and POS to eliminate check writing, the one augments the other, Mr. Demma said. "Those who don't use ATMs, for the most part, will not be attracted to POS."

Getting down to the nitty-gritty of an ATM/POS strategic plan involves consideration of the following factors: pricing, acceptance, credibility/availability.

- Pricing involves fees banks receive from their electronic banking systems. Fees generate income, and the bottom line of a POS program is less expensive than that of an ATM program, according to Mr. Demma. This is due primarily to the high capital requirements of ATM placement.

In POS, bankers pay for cards and the means to provide wide availability of merchants, which results in POS transactions costing banks less than ATM transactions. It should follow, he added, that, under implicit pricing and distributive pricing, POS should cost less to customers.

"If through distributive pricing we can move a large portion of paper transactions to paperless transactions, our total expense picture lessens. If we maintain income at the same levels, we have greater profits."

The strategic planner will make sure implicit and distributive pricing are used, even if it means restructuring existing fee schedules. Bankers using flat-rate monthly fees may have to reconsider their position.

- Acceptance will improve as younger people mature and become bank customers. Today's young people are growing up with computers and electronic hardware; they are less likely to believe that computers are error-prone. Thus, they will have less resistance to electronic banking and, in fact, probably will demand it, Mr. Demma said. This acceptance will boost use of both ATMs and POS services.
- Credibility/availability must be part of strategic planning. Terminals must be available and transactions must be processed without errors.

"Without a high commitment of all concerned — financial institutions, merchants and switches — we will never be able to expect more than mediocre volumes and profits on either system," Mr. Demma said.

"If we can provide customers with a high comfort level in both products, both should show increased usage, resulting in higher bottom lines."

Increased ATM usage will mean more ATM placements. Mr. Demma recommended that ratio of ATMs per customer be considered rather than pure volume, when placing ATMs.

"Because of the high initial cost of an ATM, cost-per-transaction can increase even though volumes are increasing if bankers aren't cognizant of this ratio. The saturation level becomes even more important if we are placing ATMs to make money off of interchange fees. Bankers must remember that users are finite and at some point more ATMs will only drive the cost per transaction up."

Bankers should take care in building an efficient, cost-effective system and they must price to influence usage patterns, to lessen paper and human costs.

"If we do this, we stand a chance of the POS program augmenting the ATM program to induce higher volume in both. We should increase profitability, due to lower costs, and we can more effectively place ATMs," he said. — **Jim Fabian, senior editor.**

POS Still in Infancy

POS is in its absolute infancy, said Linda Fenner Zimmer, payment-services expert, at the Electronic Delivery Systems Conference sponsored recently by the Bank Administration Institute.

POS has experienced two false starts, with start No. 3 underway now. POS must be handled cooperatively to succeed, she said. Proprietary efforts have failed. Retailers are demanding cooperation among financial institutions because they don't want a proliferation of POS terminals clogging the aisles of their stores.

POS has an excellent opportunity to achieve success, she said, but it won't win the race against checks for a while because the tremendous volume of checks still hasn't overloaded the system.

POS is causing concern in management suites. Questions are being asked. What is the relationship of ATMs to POS? Will POS eliminate the huge investment banks have in ATMs? The jury is out on that question, she said.

On the whole, ATM users tend to shun POS terminals. Check writers are the ones to take to POS. This situation represents a new marketing focus, she said.

In addition, POS is suffering from the fragmentation approach taken in the past. When cooperative attempts are made, questions arise that are yet to be satisfactorily solved, such as who pays the transaction cost. No one — the retailer, the bank or the customer — wants to foot the bill.

Banks and retailers are questioning whether POS should require a PIN. Other bones of contention arise from setting withdrawal dollar limits, she said.

Bankers and retailers must make efforts to understand each other's needs in the area of POS, she concluded.

Regional ATM/POS Networks Plan for Survival

IT is a battle of network superstars, and when the smoke finally clears, not all still will be standing.

While that may be a cold-hearted assessment of the situation in the ATM/POS-network market, it is one any bank CEO considering links to a regional or national network cannot ignore. Debate still rages over who the surviving players in the ATM/POS network game might be and over what form POS technology ultimately might take, but most ATM/POS network observers seem to regard an industry shakeout as inevitable.

"I think we are looking at the possibility of one national network emerging that would tie together all the regional networks." — Ken Sovereign.

"I think we are looking at the possibility of one national network emerging that would tie together all the regional networks," says Ken Sovereign, president, ATM Network Management, Inc., Downers Grove, Ill. Mr. Sovereign says he believes it is possible that as many as a half-dozen regional ATM networks may survive. He believes ATM Network Management should be in an excellent position to be among the survivors because it has offices both in Illinois and Texas and is a major software provider to ATM networks throughout the nation and Canada. Linking ATMs and ATM networks together generally is an easier task when a common software base already exists, he says.

"We are able to support all the major types of ATMs, which is something not all networks can do," Mr. Sovereign says.

Jim Martin, president of Wisconsin-based Take Your Money Everywhere (TYME), the nation's oldest statewide shared-ATM network, says reported discussions between Denver-based Plus System, Inc., and Visa on using Visa's communications system for a POS program and rumors of possible links between MasterCard International, Inc., and Chicago-based Cirrus Systems, Inc., another national network, "are steps in the right direction."

"If we could get to the point of having one national network," says Mr. Martin, a past president and current director of NationNet, another national network, "I would see no need for the existence of a second or third nationwide network."

Cirrus and Plus probably will continue to be the major players in the national ATM/POS competition, many observers agree. On the question of possible links between Cirrus and MasterCard, Bruce Burchfield, Cirrus Systems' president, says, "That cake isn't baked yet."

There are compelling arguments for national and regional networks to continue to explore areas of possible cooperation, Mr. Burchfield says. In fact, he echoes others in the industry who say that unless fragmented bank electronic-funds-transfer networks cooperate more, banks ultimately could lose control over the nation's payment system.

There are at least two areas where cooperation would prove beneficial, according to Mr. Burchfield. One would be development of a unified communications network capable of handling transactions of all or most of the existing networks. Cooperative ventures such as this lower costs for the various networks and eliminate the waste of building duplicate networks to perform essentially the same function, he says.

Evolution of a unified communication network, some observers argue, is necessary before POS systems can gain greater acceptance. Development of universally recognized debit-card service marks also is touted as another important ingredient of POS acceptance. Mr. Burchfield says creation of such service marks is another subject on which regional and national networks need to cooperate.

Visa and MasterCard, the bank-owned credit-card operations, have made no secret of their desire to play a major role in the debit-card business. Visa's electron card was designed to fill the role of a universal debit card, but thus far has gained limited acceptance.

Some doubt the popular Visa and MasterCard service marks can be easily transferred into the debit-card world. They continue to see debit cards essentially as a different product from credit cards and argue for preservation of a difference in the mind of the public.

"If we could get to the point of having one national network, I would see no need for the existence of a second or third nationwide network." — Jim Martin.

What happens when a customer gives a debit/credit card to a retail clerk, who debits the customer's bank account instead of charging the purchase as the customer intended? When the customer's house-payment check bounces the next day because of the mistake, who is supposed to take the blame? Who will straighten the problem out?

Answers to these questions are not clear, but then, not much related to the POS market is. Although retailers, bankers and ATM networks have been accumulating experience in debit-card technology and marketing for years, many critical answers remain as elusive as ever. Despite strides in consumer acceptance (due largely to the spread and acceptance of ATMs) and POS technology, such central questions as whether the banker or the retailer will pay for installation of the equipment and who will collect the fees have yet to be settled. In the long

"I think we're seeing something of a ground swell of support now for POS. The merchant base now is more attuned to it and is helping us sell it to the consumer." — R. Jeffrey Brooks.

run, POS offers much more potential for profit for network managers than the ATM market alone, and most regional ATM networks can point to POS pilot projects or studies as evidence of their commitment to becoming factors in the POS market.

R. Jeffrey Brooks, vice president/director of product management, First National Bank of Commerce, New Orleans, which owns a regional network known as GulfNet, says GulfNet's "whole plan" has been to get involved in the POS market.

"Everything we're doing is aimed at taking us in that direction," he says.

GulfNet's current plans include expansion into all of Louisiana, Mississippi, Alabama and the panhandle of Florida. Mr. Brooks sees a cultural and geographic homogeneity within this region, most of which has yet to feel the impact of regional ATM/POS networks.

"I think we're seeing something of a ground swell of support now for POS," he says. "The merchant base now is more attuned to it and is helping us sell it to the consumer."

Wisconsin's TYME network started out in the mid-1970s as a debit-card network and at one time had as many as 200 POS machines in place throughout the state. The early debit-card experiment proved a dismal failure, however, TYME's Mr. Martin says. Consumers were not yet ready for POS, nor had technology yet provided a product that met a perceived consumer need, he believes.

Currently, TYME is completing a new POS experiment at four test sites and has plans to install debit-card equipment at 30 other retail sites this spring. Consumer acceptance of the revitalized POS product has been "amazing," far surpassing early projections, he says. He declares POS now to be the right product for the right times.

"Previously, we did not have the educated card base we have today," he says.

While TYME's POS success is heartening for POS advocates, TYME's situation is somewhat unique. Mr. Martin says he is aware of only three ATMs out of more than 600 in Wisconsin that do not bear the TYME service mark. Only ITS, Inc., in Iowa comes close to providing the level of statewide coverage TYME does, according to Mr. Martin.

"Outside of Iowa and Wisconsin, ATM networks are extremely competitive, but I believe POS is going to force networks in other states to cooperate," he says. "There is no way an institution can afford to install and maintain a POS network that does not allow access by other cards unless it can control 80% of the local market, and how many banks can say they have that?"

ATM Network Management's Mr. Sovereign says that if financial institutions do not pay more attention to realities of the retail market, third-party service providers will move in and take the market for themselves. He concedes that technology may not yet have come far enough to match the expectations of some consumers who seem to want to have instantaneous access to their cash anywhere in the world.

"I can understand that a customer might not want to stand at a POS terminal for 30 seconds or so," he says, "but when I read predictions that the ideal POS response time might be as little as two seconds, that's a little unrealistic considering how many different computers the transaction may have to go through."

On the other hand, service providers that do not have fault-tolerant equipment that kicks in automatically when the main system goes down will have difficulty in the POS world, he says. "Downtimes of 10 to 15 minutes just are not acceptable in a POS environment," he says.

Jerry Nix, head of electronic services at First American National, Nashville, owner of The Money Place, another regional network, says debit cards will catch on with the young urban professionals who look for convenience when they visit a food store or gas station. These consumers will use debit cards as a hassle-free substitute for checks in those situations in which they would have to go through time-consuming identification procedures in order to write a check, he says. Loss of float interest will not — as some bankers have contended — be an impediment to getting Yuppies — as they are sometimes called — to switch from credit to debit cards, he says.

"We want to let the fellows with the big bucks find the solutions and clear a path before we follow. We don't want to be one of the pioneers; we want to be one of the early settlers." — Jerry Nix.

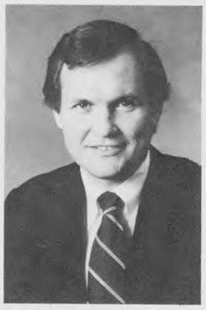
Although he is convinced POS has a future, Mr. Nix is not rushing blithely into that brave new world.

"We want to let the fellows with the big bucks find the solutions and clear a path before we follow," he says. "We don't want to be one of the pioneers; we want to be one of the early settlers." — **John L. Cleveland, assistant to the publisher.**

• **Dale A. Hunt** has joined IAC Group, Kansas City, as an associate of its field-marketing staff for central and western Missouri. He is based in the Joplin area.

ABA Chooses E.V.P.

WASHINGTON, D. C. — Donald G. Ogilvie, vice president, Celanese Corp., is the new ABA executive vice president, effective this month. He succeeds Willis W. Alexander.



Mr. Ogilvie joined Celanese in 1980 and has been responsible for corporate public policy/communications/government relations and health/safety/environmental affairs. Previously, he spent three years as dean of Yale University's School of Organization and Management.

Mr. Ogilvie also has held government posts: Department of Defense, 1967-69, and Executive Office of the President, 1973-77. In the latter post, he was associate director, National Security and International Affairs in the Office of Management and Budget.

For four years, Mr. Ogilvie was president/director, ICF, Inc., a Washington, D. C.-based management consulting firm, which he founded.

Outside Vendor Supplies Data-Processing Coordination For Three-State Bank HC

By Eric Kehle

BREMER FINANCIAL CORP., one of the four largest bank holding companies in the Ninth Federal Reserve District, recently took a series of steps to meet the rapid change in banking brought about by deregulation. The corporation changed the names of its 26 banks, 25 branch offices and other subsidiaries, which then were organized into five regional groups based on geographic and economic mutuality.

"Development of a common identity through the shared name of First American Banks was the first step in developing synergism of the banks and other subsidiaries," explains Robert Hall, vice president/chief administrative officer at Bremer. "The regional structure assured that local efforts, regional strengths and corporate programs would best be utilized."

According to Mr. Hall, the changes allow groups of banks within geographic areas an opportunity to better develop and increase services offered in their regions. The new regional form also promotes better communication among the local banks, region and corporate management.

"These changes position us to survive in today's competitive environment," Mr. Hall says. "The name change and subsequent organizational changes are allowing us some significant economies of scale. The corporation now can purchase many items in quantity and provide support services, such as marketing, on a group basis at significant savings."

In concert with the common name change, Bremer appointed a marketing director to research and develop products and services and expand its business base.

"These efforts to develop common products and common delivery methods logically wrap around Bremer's data-processing systems," Mr. Hall says. "Being aware that we were heading in a common direction, we selected First Bank System Information Services to provide the data-processing coordination Bremer needed."

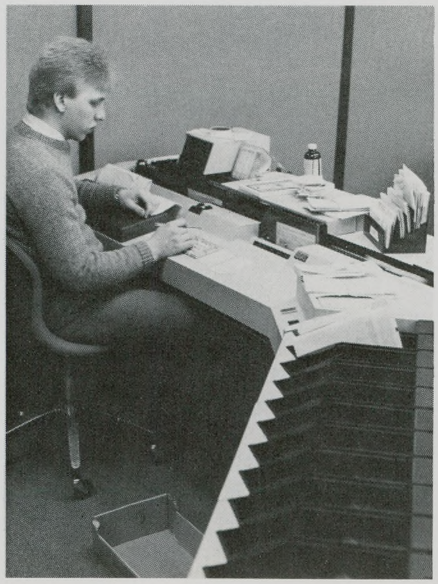
Information Services, based in St. Paul, is the primary provider of data-processing services for Bremer, including on-line processing of Bremer's automated teller machines, known as the Anytime Teller network.

One of the first challenges for the firm was consolidation of all Bremer banks' reporting structures. Experts from Information Services worked with each Bremer bank to standardize all major categories in their general ledger chart of accounts. Standardizing reporting structures ultimately eased the roll-up of the banks' financial results in a cohesive format for the corporation, furthering the synergism of the banks.

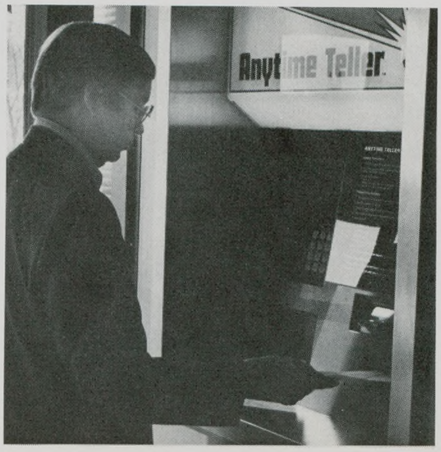
"One of the many reasons we chose Information Services to become our primary data-processing provider was its ability to serve a geographically diverse organization like ours," Mr. Hall explains. "Bremer's First American Banks are located across North Dakota, Minnesota and Wisconsin, and many did not have data-transmission capabilities when we first signed on

On-line terminals to bank's data base permits that bank to make on-line inquiry on account information. This picture was taken in Bremer Financial Corp. affiliate bank.

On-line-proof capabilities allow Bremer Financial Corp. banks to transmit transactions directly to First Bank System Information Services, St. Paul.



Drovers First American Bank, South St. Paul, Bremer Financial Corp. affiliate, uses First Bank System Information Services for on-line processing of its Anytime Teller transactions.



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with Information Services."

Information Services maintains eight data-processing-entry centers in its region, and three of these are geographically accessible to the Bremer bank locations. These centers are a plus for those banks that need to use courier service to transport data, while others simply can transmit data via the telephone.

Regardless of the delivery method, Information Services handles demand-deposit accounts, savings, savings certificate and loan processing for the Bremer banks. In addition, most of the banks have on-line terminals to their data bases, permitting those banks to obtain on-line inquiries to account information and handle data input through source-data entry. Most of the banks also use the central information system, which retains broad information on all activities of all accounts per customer.

Bremer has established a proprietary ATM network, using the same marketing strategy of commonality by choosing the same name for all — Anytime Teller. Currently, there are 18 Anytime Teller machines being supported by the Information Services ATM network. Bremer also owns 10 FASTBANKs under a franchising agreement with First Bank System.

In addition, Bremer has joined the FASTBANK ATM network of more than 300 machines that handle over 1,100,000 transactions per month. This, in turn, allows Bremer bank customers access to a variety of other ATMs, including the PLUS network of more than 4,000 ATMs located in 47 states and Canada.

"In looking toward the future, providing our customers with access to both FASTBANKs and a national ATM system like PLUS makes sense," Mr. Hall says. "With the corporate nature of banking, we must continually make an effort to expand our business base."

According to Mr. Hall, the Bremer decision to work with Information Services rested on that organization's reputation as one of the largest vendors. He feels Information Services can provide several intangible benefits to the Bremer banks.

"We looked at the entire spectrum of attributes when selecting Information Services as our data-processing vendor," Mr. Hall explains. "Timeliness, technical expertise, pricing, response to change and follow-up on regulatory changes affecting data processing were taken into consideration. Our decision also was affected by the latitude of choice in compatible equipment for our banks."

Robert Hall is v.p./chief administrative officer, Bremer Financial Corp., which obtains data-processing services from First Bank System Information Services, St. Paul.

Information Services' flexibility includes capability to serve banks using multiple vendors. Whether a bank uses IBM, NCR or Burroughs item-processing equipment, compatibility is assured.

Information Services maintains a close working relationship with Bremer, with scheduled monthly meetings to review products and services. These meetings serve as a forum to discuss new products, processing changes, regulatory changes and other specific needs of Bremer.

"In line with our recent regional-structure changes, a representative from each region attends the meetings to voice special concerns," Mr. Hall says. "Our operations committee, composed of several Bremer people who serve as liaisons with our banks, also has input at the monthly gatherings. A variety of tailored solutions to Bremer problems result from these efforts."

As one example, window transactions such as Series E bonds were required to be reported to the IRS on magnetic tape this year. Information Services developed a system to do that, thus simplifying the 1099 reporting for Bremer.

According to Mr. Hall, First Bank System Information Services has complemented Bremer's consolidation efforts and will be used for even more sophisticated financial analysis and comprehensive information in Bremer's future. ● ●

Eric Kehle, a.v.p., First Bank System Information Services, St. Paul, joined First Bank St. Paul in 1966. Since 1969, he has been working with First Banks and correspondent customers to meet their data-processing needs.

Correspondents Offered New Investment Service By Chase Manhattan

NEW YORK CITY — Chase Manhattan now offers correspondent institutions a service providing easy access to investment in money-market-mutual funds. Chase says it is the first money-center bank to do so.

Through the new Portfolio Investment Funds Service (PIFS), Chase's customers can elect to invest for their own investment portfolios in any of five mutual funds: 1. Dreyfus general money-market fund. 2. Dreyfus general government-securities money-market fund. 3. Goldman Sachs exempt-assets portfolio. 4. Goldman Sachs government-assets portfolio. 5. Nuveen tax-free accounts.

Chase acts as agent for customer banks in buying and redeeming shares of the funds. Current yields on the five funds are available through a toll-free quote line. Chase will accept initial orders of $100,000 or more per fund. Orders of $25,000 or more are accepted for subsequent purchases/redemptions. Minimum balances of $100,000 must be maintained in each fund chosen.

PIFS, described by a Chase spokesperson as "one-stop banking" for customer institutions, provides daily accounting records and monthly reporting on each fund investment.

ABA Forms Task Force On Consumer Issues

The ABA has formed a consumer-issues task force because of the need for dynamic leadership from the banking industry to address a wide array of consumer-financial issues.

The task force will oversee development of a coordinated communications strategy on such issues as basic banking services, branch closings, uncollected funds and truth-in-savings legislation. Its chairman is Robert L. Stevens, president, Bryn Mawr (Pa.) Trust. Members will include bankers from the ABA's consumer financial-services group, operations/administration group, communications council, community bankers council, government relations council, corporate planning division, state associations division and Bank Marketing Association.

The new task force's duties will include oversight of several research projects already underway to analyze the impact of expanded financial competition in the marketplace.

Automatic Sorting Of Currency Cuts ATM Downtime

REDUCING downtime on ATMs is a major concern of all financial institutions with 24-hour tellers. Although it may go unrecognized, downtime often is related directly to the quality of currency being dispensed. An ATM requires a consistent quality of currency, which, until recently, implied new currency. While there's no doubt new money works well in ATMs, a premium may well be being paid for storing new currency.

Historically, it was necessary for financial institutions to rely on the Fed or their correspondent banks for supplies of new and fit currency required by their ATMs. This meant ordering and storing enough new currency to fill the needs of the ATMs, resulting in higher-than-necessary reserve levels and crossovers in shipments of funds. Crossover shipping leads to increased trucking costs and fees.

Now there's a viable alternative to all this: the process of currency sorting to obtain ATM fit money. Currency is sorted by removing those bills not fit for the use for which they are intended; either ATM or teller reissue. In the past and still in many institutions today, sorting is done by tellers who examine the bill and subjectively determine its fitness. This is a tedious, time-consuming process, which often is not effective in obtaining both the quality and quantity of currency required to fill ATMs.

What is said to be the most effective method of sorting currency or "cleaning" it is through utilization of the Brandt Model 885 Currency Fitness Sorter as demonstrated by First Security National, Lexington, Ky. First Security, a $930-million bank, purchased the Brandt Model 885 Currency Fitness Sorter in January, 1984. Since then, the bank has been sorting currency automatically for its 15 ATMs and for distribution to correspondent banks.

Brandt Model 885 Currency Fitness Sorter sorts currency automatically for 15 ATMs operated by First Security Nat'l, Lexington, Ky.

Prior to purchasing the Brandt Model 885, First Security National was hand-sorting currency for six of its branches at the main office, while their remaining nine branches hand-sorted on site. The manual-sorting process at the main office alone took approximately 40 hours per week. After analyzing the extensive amounts of time exhausted at both the main vault and the branches, First Security was able to justify the purchase of a Brandt Model 885 Currency Fitness Sorter.

The Brandt Model 885 Currency Fitness Sorter is designed to sort "as-received" money and produce a consistent quality of currency for ATMs. The Model 885 performs 10 tests on each bill, sorting the currency against customer-selected sort levels as well as predetermined levels to determine which bills are fit and which are unfit to use in ATMs. The 10 tests check for doubles, note length, holes, tears, corner folds, condition (crispness), missing corners, tape, counterfeit detection and "Z" folds. The fit money goes into the fit pocket while those bills not meeting the preset-condition levels are sorted into the unfit pocket. Any suspect notes, those too long, too short, doubles or counterfeit, are directed into the third or cull pocket. The Brandt Model 885 will sort and verify up to 16,000 notes per hour.

According to Curtis Hastings, first vice president of First Security, "We've had a dramatic increase in productivity with the advent of this machine." Charlotte Green, vault supervisor at the bank, goes on to explain, "We now are sorting currency for all our branches in an average of eight hours total per week. We send the fit currency out to our branches twice a week."

She emphasizes how much employees enjoy operating the unit as compared to hand sorting and, of course, the branches appreciate not having the task of hand-sorting currency.

"One important benefit is that we can verify and reconcile the straps at the same time we are 'cleaning' the currency," says Ms. Green. "Any overages or shortages are determined and rectified at that time. The unit is accomplishing what we purchased it to do, giving us a consistent quality of currency for our ATMs. Downtime due to currency-related problems virtually has been eliminated."

Doug Chenault, retail field adjustor for First Security, is in charge of the response team responsible for on-site service of the ATMs.

"Since we have begun automatically sorting currency, we virtually have not had to dispatch the response team because of currency problems. There has been a significant drop in the out time of the response team," Mr. Chenault says.

First Security has found the currency sorter to be an excellent marketing tool.

"We're actively marketing the preparation of fit ATM money to our correspondent banks, both locally and throughout the state," explains Mr.

(Continued on page 20)

At Bank in Kentucky —

Adopting New Forms Increases Efficiency In Bank's Operations

By Cy Miller
Vice President
And Cashier
Peoples Liberty Bank
Of Northern Kentucky
Covington

FREQUENTLY overlooked in a bank's rush to automate high-volume operations are forms that serve both as operational and data-input-source documents. Among these are official checks and certificates of deposit, two items we modified recently at Peoples Liberty Bank of Northern Kentucky to improve their effectiveness and contribution to the efficiency of our paperwork and data processing.

When we embark on a design change, we call on the knowledge and expertise of a forms specialist from Standard Register Co., Dayton, O. This, we have learned, assures us of a form's economical production and most effective end use.

In the case of our CDs, we were influenced by both external and internal factors. Our old CDs included preprinted terms and conditions as required by federal regulations. These, however, were not permanent, and as, changes were made, we had to redesign the form. We also had a separate form on which information concerning a CD was set up for computer input via keypunch equipment. That meant a second writing of information.

Changes in our methods of computer input and the need to avoid so much changing of design led us to try to establish a CD form that would be permanent, easy to use and fulfill necessary information requirements in one document. We also wanted to improve the appearance of our CD and make it look more official.

Consultation with the forms specialist resulted in creating two versions of a CD — one for renewable and one for nonrenewable applications. They are two-part ZIPSET forms measuring 8½x7 inches without the top stub. Each is divided into two equal sections — the top being the certificate; the lower half replacing the old separate computer-entry form. The two versions are distinguished by color and terminology.

Although some information for new two-part ZIPSET CD forms issued by Peoples Liberty Bank of Northern Kentucky, Covington, is entered by hand on lower portion (top), greater part of forms is filled out by typewriter (bottom). Forms are supplied by Standard Register Co., Dayton, O.

Where our former CDs had been rather plain, we dressed up the new ones by simulating a parchment background and engraved border. The lower half of the form has preprinted listings to describe the CD for the computer input operation, which now is done by the cathode-ray-tube unit. Here we make use of check boxes to indicate such items as interest-calculation method, interest-payment period and interest-payment method. There also are areas for entry of other basic information concerning the customer and CD.

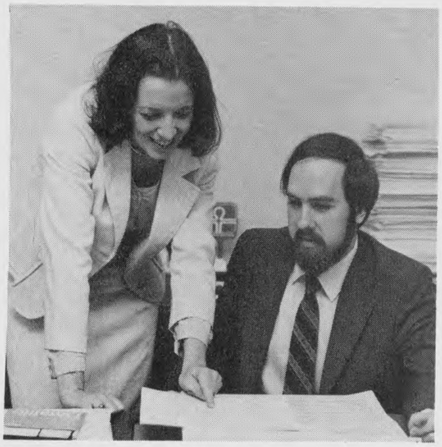
Basic terms and conditions not subject to change are printed on the backs of the certificates. All other present and future applicable rules and regulations now are covered in a separate brochure. This just about eliminates the need to redesign the CD whenever a regulation is changed. It is much simpler to change the wording in the brochure.

As before, the certificate original is given to the customer while the copy is used to enter the information into our computer data base.

Our problem with special checks was entirely internal. It involved trust-department checks and certified-check vouchers used when customers bring checks in for certification. In both cases, the need was for a simpler method of sorting transactions between demand-deposit accounting and

general-ledger accounting.

Trust-department check forms — one for transactions involving probate court and the other for non-court-involvement transactions — are two-part ZIPSET documents. The certified-check voucher is a three-part ZIPSET form. In all cases, magnetic-ink-character-recognition (MICR) encoding is the key to the sorting operation. Previously, originals and second copies of both checks and voucher carried our routing and transit numbers and the document's serial number. A later encoding operation placed the account number on the original.



At regular briefing session, Standard Register Co. representative Kay Ferneding and Cy Miller, v.p./cash., Peoples Liberty Bank of Northern Kentucky, Covington, discuss forms supplied by Ms. Ferneding's firm to bank.

Because we had the same MICR routing and transit numbers printed on copies one and two, the computer's automatic-sort accepted the DDA information, but rejected the second-copy information without directing it to the general-ledger account. That meant we had to review the forms and pull those for manual posting of the general-ledger information.

It all amounted to extra work in both DDA and general-ledger accounting. To solve the problem, we decided to have a different routing and transit number preprinted on second copies of the forms. In addition, trust-department-check second copies also are encoded with the general-ledger-account number. The result is that all documents now are sorted automatically and posted to the appropriate accounts.

Usage volume of these forms is not great, but any improvement that leads to greater efficiency within the bank's operations is a plus. By creating forms that are more attractive, are easier to use and contribute to our overall effectiveness, we are contributing to a better banking operation. ● ●

Software Places Bank's ATM, Mainframe In Position for In-House Processing

DESPITE increased friendliness toward their human operators, computers still can be downright unfriendly when it comes to communicating intelligibly with their own kind.

Creating an interface between an ATM made by Diebold and a new IBM System/36 can be a daunting task even for a large bank, for example, but consider the potential magnitude of problems faced by rural Chillicothe (Mo.) State. Until the new IBM computer was installed last year, the bank — with assets of about $65 million — had relied on an outside service bureau for most computer-processing needs, including transaction processing for the bank's single on-premises ATM.

Finding integrated software to handle the bank's operational needs was a concern, but according to Vicki Silkwood, assistant cashier/compliance officer at the bank, finding software that would petmit the ATM to communicate with the System/36 was difficult. Data from each ATM transaction had to be captured and transmitted on a real-time basis to the bank's database on the System/36.

Communication protocols differ between computers. This is why Chillicothe State had difficulty getting its ATM to communicate effectively with its mainframe. For the bank to establish a link between the ATM and the System/36, special software from Arkansas Systems, Inc., Little Rock, had to be purchased. The software, titled "On-Line Bank Environment ATM Management," converts signals from the ATM into a form the System/36 can read.

ATM transactions are memo posted in customer-account files on an on-line basis. Hard-posting of the day's ATM transactions is done at the end of the business day, according to Ms. Silkwood. Bank officers now can retrieve up-to-the-minute information from each customer's file stored on the mainframe.

The big advantage for the bank is a measure of control not possible previously, Ms. Silkwood claims. No longer must bank officers wait days for a management report from a service bureau, and savings in service-bureau fees from doing transaction processing in house have been significant. She emphasizes that the bank did not have to spend a great deal of time or money on retraining people to operate the system.

Gail Hart, operations coordinator, Arkansas Systems, says a number of banks in rural communities have recognized the advantages of having more control over their routine ATM-transaction processing and the service-fee savings that can result. She says that interfacing one or a series of ATMs with a mainframe computer — whether over telephone or dedicated lines — need not be a major impediment for a financial institution that wants to process ATM transactions in house.

Ms. Silkwood says she doubts any of the bank's customers can tell the difference in the way the ATM handles a transaction since the bank dropped the service bureau. She estimates that of the bank's more than 4,000 customers, about a fourth have Chillicothe State Bank-issued ATM cards.

"There always will be a certain number of our customers who prefer to deal face-to-face with a teller," she says. But she has noticed that since the bank switched to in-house-transaction processing, the ATM seems to have less downtime.

So, as a result of friendlier computer-to-computer communications, she says, the bank's ATM — at least in a subtle way — must seem a little friendlier and more accessible to customers. — **John L. Cleveland, assistant to the publisher.**

Automatic Sorting

(Continued from page 16)

Hastings. "We currently provide ATM fit currency to Lexington Federal Savings & Loan Association," he continues.

According to Tom Herndon, vice president/treasurer, Lexington Federal S&L, First Security provides the S&L with currency for its three recently installed ATMs.

"We are happy with the quality of currency we receive from First Security," says Mr. Herndon. "We have not had any currency-related jams in our ATMs since installation."

First Security's Mr. Hastings has this to say: "Not only does the currency sorter process currency quicker, better and with less labor, it reduces our currency levels at every branch. We are pleased with the sorter because we now can offer our customers a better service at a better price." ● ●

How Do You Choose The Right Software?

By James A. Towns III

James A. Towns III is vice president, Bank Earnings Systems (BES), Atlanta, and product manager for its consulting group. He participates in all aspects of consulting for BES, including data-processing strategic planning, vendor evaluation/recommendation, implementation scheduling and hardware/software analysis. Mr. Towns, who has more than 15 years' experience in data processing for the financial industry, formerly was data processing manager at a major southeastern bank. He holds a BBA in accounting from Georgia State University.

HOW DO YOU choose the "right" software? What do you look for? Should it run on a mainframe computer, a micro or a mini-computer?

If you ever have tried to buy a software package, you probably have been faced with some of these questions. And, unless you're a data-processing technician, you've probably been confused by the terminology, claims and counter claims put forth by competing software vendors.

Several key words and phrases invariably appear in vendor presentations. Concepts such as data base, state of the art and integrated will be used depending on what is fashionable in the software industry at the time. These concepts have importance. However, technical excellence and state of the art are secondary.

Primary considerations in software selection are basic business case questions of benefits delivered to specific users and total life-cycle costs. In short, despite technical complexity, software selection should be similar to any other type of purchase.

Before exploring specific steps in the software-selection process, it might help to quickly review the evolution of software in financial institutions to get a feel for the issues involved.

Software Evolution. Financial institutions, because of their highly labor-intensive operations, were among the first to make extensive use of computers when they became commercially available. At that time, banks and S&Ls were forced to write their own software because there was little available for purchase.

However, they developed distinct types of software because they served two different types of markets. Banks tended to develop batch-processing software because of efficiencies that can be gained in high-volume environments by batching together all of a day's transactions to be posted in one nightly processing cycle. S&Ls tended to develop real-time processing software because their transaction volumes were much lower than the commercially oriented banks. With their real-time software, S&Ls were able to post transactions to their customers' accounts at the time the transactions occurred, rather than batching them together for input to a nightly posting cycle.

Generally speaking, the first systems developed were for general-accounting functions (i.e., general ledger), followed closely by software for deposit/loan accounting. These early software systems were developed by some of the larger banks and S&Ls, which could afford to buy these early computers and which stood to gain the most by automating labor-intensive functions.

Five Essential Steps in Software-Selection Process:

1. Recognize investment required
2. Define your requirements
3. Identify potential vendors
4. Evaluate vendors
5. Evaluate software

As computers evolved, they became affordable to a larger number of financial institutions, which sometimes developed their own software, but more frequently obtained software from other banks and S&Ls and then customized the software to fit their institutions. At that time, independent software firms sprang into existence to satisfy the increasing demand for financial software. However, these software firms tended to develop software primarily for banks because the market was larger and the batch-processing software used by banks was simpler (cheaper) to develop than the real-time software used by S&Ls. As a result, S&Ls continued to develop their own software or to obtain it from other S&Ls. Today, there continues to be less software available for S&Ls.

During this period (early 1960s to mid-1970s), computers continued to evolve, becoming smaller, faster and cheaper. But the software-development process did not progress at the same rate, with the result that many financial institutions found their internal programming efforts were taking a larger percentage of their budgets as users found more functions that could be automated on these faster computers. Also, most financial institutions found that larger programming staffs were required to meet ever-shortening deadlines to bring new products to the marketplace.

Those pressures were exacerbated in the late 1970s with the advent of deregulation. Since that time, S&Ls, banks and their new competitors have begun targeting the same markets, which has resulted in fierce competition, a blurred distinction between types of financial institutions and squeezed margins for all.

Shortened reaction times, greater complexity and increased development cost have all impacted software production. Today, few financial institutions can afford the luxury of developing their own customized software and are forced to purchase software that will enable them to be com-

Renaissance Center, Detroit

Why does a bank 20 miles from Detroit have its data processing done in Pittsburgh?

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Harold W. Allmacher Jr., President
First National Bank in Mount Clemens

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Mellon was one of the first banks to apply electronic systems to banking, in 1955, and we've been in the forefront of development ever since. A staff of more than 500 bankers who are data-processing professionals, supported by an annual development budget in excess of $40 million, ensures that commitment. Mellon's Datacenter shares in those resources, giving its customers a distinct financial and competitive advantage in today's demanding, rapidly changing financial services environment.

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Just call Dick Meyer, vice president, (412) 234-4861. Or write to him at Mellon Bank, Datacenter Division, One Mellon Bank Center, Pittsburgh, PA 15258.

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petitive, low-cost providers of financial services.

Choosing "Right" Software. Now, back to the original question: How do you choose the "right" software? Your primary purpose is to get the greatest number of functions and features you possibly can for the least cost. But how do you do that?

Generally, there are five essential steps required in a software-selection process. These steps are:

1. Recognize the investment required.
2. Define your requirements.
3. Identify potential vendors.
4. Evaluate the vendors.
5. Evaluate the software.

Your software-evaluation group should prepare a detailed list of requirements, which may be used in a checklist fashion to compare the offerings of multiple software vendors.

The first step is to recognize the investment required to change software or to put in new software. Since data processing now is a focal point for product delivery in most financial institutions, any changes will have a ripple effect throughout an organization. Any new software will require staff training and participation in many areas — progamming, computer operations, accounting, branch operations, back-office operations, customer service and any other impacted areas. Also, recognize that some trade-offs are required. Purchased software usually is easier to implement if it is put in "plain vanilla." Any changes you put in to customize it will increase the implementation effort and will result in on-going efforts to reapply those changes each time the software vendor sends a new version of that software containing enhancements.

The second step is to define your requirements for the new software. This generally is best accomplished by establishing a user-driven software-evaluation group of four to seven users with data-processing participation. Groups smaller than this usually have a focus that is too narrow, and larger groups tend to be counterproductive because their focus is too broad.

This software-evaluation group should prepare a detailed list of requirements, which may be used in a checklist fashion to compare the offerings of multiple software vendors. This list of requirements also should be reviewed by senior management to ensure that it fits into the institution's business plan (both the formal plan and any unstated plan).

The third step is to identify potential vendors. This may be accomplished by consulting a number of sources — advertisements in trade magazines and periodicals, contacts in other financial institutions, publications that list or rate software packages and/or engaging a consultant to assist in the evaluation.

As mentioned earlier, the next step is to evaluate software vendors. It makes little difference how good the software is if the vendor isn't going to be around to support it. At this point, primary considerations should be financial stability and profitability, level of satisfaction of a vendor's clients, the vendor's on-going commitment to research and development and level of training and implementation assistance provided by the vendor. If the product or vendor is relatively new, spend more time evaluating that vendor since the risk will be higher.

Do not reject new products or vendors simply because they are new. "New" can be creative and innovative, which, in the current environment, may result in competitive advantage.

After the vendor-evaluation step, a number of vendors will be eliminated, resulting in a more manageable list of software packages to be evaluated. The fifth step is to perform a detailed evaluation of the software offered by the remaining vendors. In this evaluation, there are several key items to be examined. These items are:

1. Comparison of functions and features to the requirements list (from step two).
2. Ease of use.
3. Quality of documentation.
4. Ease of interface to existing systems.
5. Cost, including initial acquisition cost, annual maintenance costs, implementation costs and on-going daily operating costs.

This evaluation and final selection of the "right" software naturally will involve some trade-offs, particularly in items one and five above. The important element in item five is total life-cycle cost. The typical life cycle today is three to seven years for software. Initial purchase price often is not the determining factor in these costs. More often, staff costs, either for operation or at the user end, are more important. For example, a higher front-end cost for an automated system may be "lower" over time as a result of staff reductions. Conversely, high cost for a "state-of-the-art" system that doesn't actually improve function or lower staff may be unwise. The software-evaluation group will have to compare the value of the functions and features offered to the incremental cost of obtaining those capabilities.

Once this evaluation process is completed, the software-evaluation group should present its findings to senior management. Those findings should include a comparison in detail of the functions and features of each of the software packages that were evaluated in detail, a cost comparison of those packages and a specific recommendation. At this point, you will have chosen the "right" software — not because it's the best in the world, but because it's the best fit for your institution.

During this process, you may

(*Continued on page 51*)

A/L Management Sessions Set for Bank Executives

Six educational sessions on asset/liability management for financial institution executives have been scheduled during April, May and June by Sendero Corp., Phoenix. In addition, a session presenting the fundamentals of asset/liability management has been set for March 27-29 at the firm's headquarters.

The six sessions are as follows: April 10-12, Seattle; April 17-19, Dallas; April 24-26, Boston; May 1-3, Chicago; May 8-10, Los Angeles, and June 12-14, Pittsburgh.

The courses emphasize case studies and use of micro-computers to assess the effects of selected strategies.

Sendero's business focus is the education and support of executives involved in the asset/liability-management process. Its services are designed to familiarize bankers with the steps required to assemble necessary data, use dynamic simulation properly and make effective ALCO or Board presentations in order to evaluate alternatives for managing interest-rate risk.

Further information is available from John Myers, Sendero Education, 1422 N. 44th St., Phoenix, AZ 85008.

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An electronic information-gathering/delivery system will soon be available from Centerre Bank, St. Louis.

The system is made up of three primary components: specialized computer software developed by National Data Corp.; computer hardware developed by Tandem Computers, Inc.; and a nationwide communication network operated by Tymnet, Inc.

Customers can use the system to electronically access balance/transaction information for their accounts at Centerre and at other banks in the U. S. The system also serves as a multidirectional electronic-mail and messaging system.

The system is expected to be operational by mid-year.

Discovery, a work station for corporate treasurers, has been introduced by United Missouri Bank, Kansas City.

It allows treasurers to manage their firm's cash flows more efficiently and in a more timely fashion, says the bank. The program offers balance reporting that has manual or auto-dial access with multi-bank capabilities.

Balance information is available any time during the day, and multiple time-share services may be accessed automatically at any time. Treasurers also receive disbursement/deposit information.

Customers lease software from the bank that is compatible with an IBM PC, XT or AT computer or comparable hardware that has a minimum 256 K memory and a Hayes smart modem or acoustical coupler.

Services include EFT, automatic wire transfer and balance reporting. Other products are being developed.

A new micro-based service that permits banks and other financial institutions to anonymously compare their performances to those of peers and competitors has been introduced by InnerLine, Chicago.

Called PeerLine, the service is expected to be useful to senior executives and boards by allowing them to compare their operating results each month, based on non-public data.

Users must have an IBM or IBM-compatible computer and must gather and input approximately 200 pieces of performance data, using a software package provided with the service. These data include information on loan quality, fee income, financial data, staff control, staff productivity and new-business generation.

The system combines these data with similar information from participating institutions to create comparative peer-group data.

The final report is delivered on-line within 48 hours of the data-submission period and provides comparative performance information for up to eight peer groups.

The service was developed in conjunction with Bank Earnings International, Atlanta-based consulting firm.

Electronic home-banking services are being offered by Louisiana National, Baton Rouge, to customers who have personal computers and modems.

Services available include electronic-bill payment, funds transfer between accounts, account-balance checking and electronic mail to the bank and to other customers. National news, sports and weather information also are offered.

Louisiana National belongs to the National Shuttle Network, which permits participating banks to offer their own and electronic services from Shuttle Corp. in their respective marketing areas.

Micro-computer model for commercial credit is the name of a new software product for commercial-loan officers available from the ABA.

It's a self-paced model that provides bankers with two software products: Credit Tutorial, which teaches credit and cash-flow analysis by taking bankers step by step through two case studies, supplementing traditional management-training programs and later acting as a reference guide; and TopOne credit-analysis model, tables and graphs that produce four years of balance-sheet, cash-flow and ratio projections needed for commercial-credit analysis.

Information is available from Peter Greaney at the ABA by calling 202/467-5291.

A high-tech information-retrieval system, known as Financial Industry Information Service (FINIS), is on-line that provides banks and other institutions with instant access to the library of financial-marketing information maintained by the Bank Marketing Association.

FINIS is accessed through in-house computer terminals and provides access to any of the 20,000 article abstracts housed in the BMA's Information Center in Chicago.

Abstracts are drawn from the estimated 200 periodicals in the Information Center collection as well as from varied other sources, including student papers prepared for BMA-sponsored schools of bank marketing and winning entries in the BMA's annual Golden Coin Competition of bank-marketing campaigns.

Subscriber cost is based on an hourly computer connect charge or on a combination of connect time and frequency of searches, depending on which of two data base distributors — Dialog or Mead — is used.

A paperless, automated wire-transfer system called MoneyNET℠ recently went on line for correspondent and corporate customers of First National Bank of Commerce, New Orleans.

The system improves incoming and outgoing domestic wire-transfer process, administrative requests and requests for funds by customers with near-instantaneous service. The system is facilitated by a Tandem Nonstop II™ computer.

No-additional-cost advantages to customers include faster, more efficient handling of wires, multilevel security, faster response to inquiries and ability to process repetitive transfers.

The system is self-balancing and provides more efficient use of time for bank personnel by allowing a higher work volume, the bank says.

NEWS
About Banks & Bankers

ILLINOIS

Charles J. Ballot Jr., auditor, First National, Belleville, is serving as chairman of the board of trustees of the Internal Auditing School of the Illinois Bankers Association. This year, the week-long school will be held August 4-9 at DePaul University's Lincoln Park campus, Chicago.

Richard B. Ogilvie, former Illinois governor, and Francis E. Ferguson, chairman, Northwestern Mutual Life Insurance Co. of Milwaukee, have been elected to the boards of Continental Bank and Continental Illinois Corp., Chicago. In other action, Robert H. Malott, chairman/CEO, FMC Corp., has resigned from both boards.

Cole-Taylor Financial Group, Northbrook, has named Robert I. Logan executive vice president/director, Rene Y. Thomas marketing coordinator and Yevette Newton Jackson corporate-development representative. C. J. Gauthier, chairman/president/CEO, NICOR, Inc., parent firm of Northern Illinois Gas Light & Coke Co., has been elected to the HC's board.

Dennis E. Bielke, president, General Bank-Belleville, has been given the additional title of CEO and Larry N. Boente has been promoted from vice president/senior loan officer to senior vice president.

John H. Hurwith has been elected chairman, First Commercial Bank, Chicago, succeeding Vivian F. Hurwith, who has been named chairman of Firstcom Bancorp, the bank's HC. John Hurwith formerly was executive vice president/trust officer.

Northbrook Trust & Savings has appointed Robert M. Buchta senior vice president/senior lending officer and David C. Strom vice president/cashier.

Devon Bank, Chicago, has elected Richard A. Loundy and Willard S. Thomas chairman and president, respectively. Richard Loundy advanced from president to chairman to succeed Mason A. Loundy, who has retired and now is honorary chairman. He joined the bank in 1953 and had served as president since 1975.

Harris Bank, Chicago, has promoted Robert J. Genetski, Richard J. Moreland and Richard J. Brown to senior vice presidents. Mr. Moreland recently was named head of the bank's treasury group in the investment department, succeeding Jeffrey S. Chisholm, who resigned to join Bank of Montreal, parent firm of Harris Trust. Mr. Genetski is chief economist and Mr. Brown heads the financial institutions and international divisions of the banking department.

First National, Winnetka, has promoted Craig E. Arnesen to executive vice president, Steven Neudecker to senior vice president/controller, James Kottmeyer to vice president/cashier and Janet Bruechert and Roy F. Gibson to assistant vice presidents.

INDIANA

Richard A. Byrd has joined Irwin Union Bank, Columbus, as an associate of the recently formed capital markets group. He is responsible for marketing, sales trading and public finance activities.

Ralph Waltz has retired as president, American National, Noblesville. He has been succeeded by Ronald G. Miller, former executive vice president. Mr. Waltz had been with the bank for 38 years and was president for 18 years. Mr. Miller joined the bank in 1956.

Citizens National, Evansville, has promoted David L. Knapp from senior vice president/chief financial officer to executive vice president/chief financial officer. He also has been named secretary, CNB Bancshares. William E. Vieth was promoted from senior vice president to executive vice president. He also was elected to the boards of the bank and the HC. They joined the bank in 1957 and 1960, respectively.

Fort Wayne National has promoted Marlene A. Buesching to trust officer from assistant trust officer. Paul A. Turner has joined the bank as assistant vice president and manager of methods/procedures.

IOWA

FSB Holding Co., Kalona, has received approval from the Fed to acquire 80% or more of the voting shares of West Chester Savings Bank.

Ron Gipple recently joined Hawkeye-Ankeny Bank as vice president of sales/marketing. He formerly was with Des Moines Coordinated Financial Services.

Andrew J. Opiekun Jr. recently was promoted to vice president at Hawkeye Bank, Burlington. He joined the bank in 1974 and is manager, consumer loans.

Randal Weatherly has been appointed assistant branch manager/loan officer at First National, Clinton, replacing Jerome Kedley, who was promoted to assistant vice president/branch manager.

Peter J. Prickett and Doug R. Daniels have joined State Bank, Council Bluffs, as installment-loan officers.

Jasper County Savings, Newton, has promoted Mark E. Schakel to executive vice president, Judy A. McCarville to senior vice president/cashier and Dennis A. Porter to senior vice president.

Steele State Fails

Valley Bank, Cherokee, has assumed deposit liabilities of Steele State, Cherokee. Valley Bank is a newly chartered state nonmember bank.

Steele State was closed late in January and the FDIC was named receiver. Failure was caused by excessive loan losses and inability of shareholders to recapitalize, according to Thomas H. Huston, Iowa superintendent of banking.

Steven L. Allen has left United Central Bancshares, Des Moines, where he was vice president, credit administration, to join Moncor Bank, Albuquerque, as executive vice president. From 1971-79, Mr. Allen was with the Iowa banking department, Des Moines, moving from being a bank examiner to assistant superintendent of banking. After leaving that post, he rose to head of the commercial loan department, Hawkeye-Capital Bank, Des Moines. He left that post to join United Central Bancshares.

Gary Hermann has been named regional vice president (Region III)/agricultural business manager, Norwest Corp., Minneapolis, and is based at Norwest Bank Mason City. Mr. Hermann previously was vice president, Norwest Business Credit, Des Moines. He now is responsible for coordinating sales/deliveries of products/services to agricultural producers in the region. He joined Norwest in 1966.

MICHIGAN

Elbert Clark has been appointed vice president in the Midwest banking division of National Bank of Detroit. He joined the bank in 1975 and had been a second vice president since 1981.

First of America Bank-Michigan, Kalamazoo, has named Susan P. Peltonen assistant vice president, Paula Gazarek and James L. Hill investment officers and Janice J. Sackley trust officer.

Comerica Inc., Detroit, has appointed Judith C. Lalka senior vice president/general counsel and David Wicker first vice president/personal banking. James L. Costello and Bryant S. Hopper Jr. were named vice presidents and Michael L. Presant and Gloria J. Stratton assistant vice presidents.

NBD Ann Arbor has promoted Dorothy Lynch to vice president/consumer-loan division head and Leigh Briels, Bonnie S. Carre and John Hanchak to assistant vice presidents.

MINNESOTA

Charles J. Burns has joined First Bank Minneapolis as executive vice president, FBS merchant banking group. He had been with B.M.C. Industries, St. Paul, where he was senior vice president/chief financial officer since last June. Before that, he was a managing partner, Arthur Young, Minneapolis, for 14 years. In other action, First Bank Minneapolis elected these vice presidents: Pierce A. McNally, FBS merchant banking group; Robert C. Peterson, manager, National East Division; and Rodney T. Thein, senior probate officer, personal trust/probate division. Mr. McNally had been with a law firm. Mr. Peterson joined the bank in 1979, and Mr. Thein previously was with First Trust Co., St. Paul, for 18 years, most recently as vice president/assistant secretary. Promoted from assistant vice presidents to vice presidents were: Jack L. Hauser, financial institutions division; Steven L. Nichols, manufacturers division; Anthony J. Crea, Minnesota correspondent banking division; Jerome R. Larson, national real estate division; Beth Ann Dinndorf, special loans, commercial division; David H. Bluhm, corporate trusts/escrow/stock transfer division; Linda L. Mohr, corporate banking services division; and Richard J. Rinkoff and Lawrence C. Smith, equity research division.

Patrick J. Donovan has been named regional vice president (Region III)/manager of retail business, Norwest Corp., Minneapolis, and is based in Bloomington. He had been vice president/manager, up-scale banking, in Norwest's retail-banking business group. In his new post, he is responsible for coordinating deliveries/marketing of retail products/services for customers of 19 Norwest banks in Minnesota and parts of northern Iowa and western Wisconsin. He has been with Norwest since 1981.

Norwest Bank Minneapolis has appointed the following vice presidents: James G. Lethert, fund management/trust individual services; Lynne H. Hansen and C. Roger Lundbeck, trust administration/investment services; William J. Wallman, manager, trust individual services, Midland Service Office; Craig Dahl and Cheryl Newell, regional corporate banking; William W. Whipple, agribusiness division, corporate banking group; James J. Urbanek, special loan division; and R. Jeffrey Maas, corporate finance area.

John F. Crinklaw has been named executive vice president, credit/deposit management, National City Bank, Minneapolis. Named vice presidents were John L. Noble, international banking; Charles H. Robbins, corporate services division; and Connie G. Weinman, trust department. Elected assistant vice presidents were David S. Lamb, correspondent banking; and Susan L. Hix, personnel department.

F&M Marquette National, Minneapolis, has announced the following staff changes: to vice president/credit manager, business services group, Jerrlyn R. Slinger; to vice president, investment services group, David A. Hoven; and to assistant vice presidents, JoAnn R. Hinnenthal and Barbara Graham Roche, both in investment services group.

Resource Bank, Minneapolis, has elected a new officer and opened its first detached facility, on the skyway level of the International Center in downtown Minneapolis. Elected senior vice president/manager of the new facility was Larry Brust, most recently with Norwest Bank, Minneapolis. At that bank, he was lead banker of the Norwest Bank Private Banking Center.

OHIO

Major POS System Announced in Dayton By Banks, Thrift

MONEY STATION has joined with three Dayton financial institutions to offer a major point-of-sale system in Dayton. Working with MONEY STATION are First National, Third National and Gem Savings.

Cards used in the electronic-payment system will include Money Card and Green Machine cards issued locally. All cards issued by more than 130 MONEY STATION financial institutions through AnytimeBank, Green Machine, Jeannie, Money Center and Tellerific ATMs will be able to be used in making purchases at participating merchant locations throughout the Dayton area. Such national cards as MasterCard and Visa credit/debit cards also will be accepted. MONEY STATION has been working with the national card associations to provide technical and hardware support for the project, and other financial institutions will be encouraged to take part as the project develops.

Dayton has been selected by MONEY STATION and local financial institutions as one of the first city-wide markets to introduce POS because more than 95% of bank-issued cards in the Dayton area can be used in the POS system.

The Dayton project, which will begin this year, represents an expansion of current MONEY STATION POS pilots in Cincinnati and Cleveland. Fifth Third Bank and First National, both in Cincinnati, jointly are conducting POS tests in conjunction with food stores and retail gasoline stations. National City Bank, Cleveland, is testing the electronic-payment system at a retail gas station in Mentor. Building on the experience of these pilots, MONEY STATION, in conjunction with local financial institutions, now is prepared to launch what it says is one of the nation's first electronic retail-payment programs to include an entire metropolitan community.

Definitive Agreement Reached for Merger Of Society/Centran

A definitive agreement for merger of Society Corp. and Centran Corp., both Cleveland bank HCs, has been approved by the respective boards and executed by the managements of the two firms.

An agreement in principle for the merger was announced September 24. Completion is subject to regulatory/shareholder approvals. A merger application is being filed in the first quarter of this year, and the merger is expected to be completed in mid-year.

The merger would give Society Corp. total assets of more than $8 billion, ranking it among the top three bank HCs in Ohio, according to a Society spokesperson.

In a related action, Centran has announced plans to sell 18 Central National of Cleveland branches and their deposits, along with Sutton State, Attica, to facilitate receipt of regulatory approval of the Society/Centran merger.

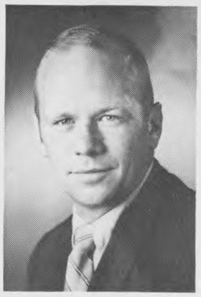
BancOhio National, Columbus, has made the following promotions: to senior vice presidents, William P. Blakeway, secured credit division, and Jack R. Kiger, information systems division; to vice presidents, Geoffrey K. Bachman, Bruce J. Fraher, Albert "Don" Jenkins, David L. Kelley, Dennis H. Miller and Frank Wojcik; to assistant vice presidents, L. David Angel, Clare Balombin, Robert L. Bidinger, Peter J. Boldin, JoAnna Chambers, Walter F. Chilcott, Jerry Cooper, Clarence W. De Long, Janet L. Dunham, George J. Fedeczko, Stanley E. Harris, Robyn Riegel, Cynthia A. Shearer, Thomas L. Showalter and Theodore W. Tozer.

Toledo Trust has elected the following senior vice presidents: Donald E. Breese, government affairs; Douglas E. Braun, information systems; and John F. Joslin, bank services. Toledo Trust also has these new vice presidents: Michael C. Brown, Robert L. Head III, Barbara J. Lawecki and Marylou H. Zaloudek. At Toledo Trustcorp, Inc., Janet M. Stanford has been promoted to vice president, corporate public affairs.

National City Bank, Cleveland, has elected James M. Biggar to its board. He is president/CEO, Stouffer Corp. and Nestle Enterprises, Inc., both headquartered in Solon.

WISCONSIN

First Interstate Corp. of Wisconsin, a Sheboygan-based bank HC, has consolidated five Milwaukee-area banks to form one financial institution, with (J. Frederick) Fritz Ruf as its president. The new bank is made up of First Interstate offices in Shorewood, West Allis, New Berlin, Racine and Caledonia. First Interstate acquired four of the Milwaukee-area banks last July — the former West Allis State; Southwest Bank, New Berlin; and North Side banks in Racine and Caledonia. The Shorewood office, formerly Citizens North Shore Bank, joined the HC in 1978. All 24 of the HC's banking offices took the First Interstate name in 1984 as a result of a franchise agreement with First Interstate Bancorp of California, Los Angeles. Mr. Ruf, who administers the five-office bank, recently was president, RBP Chemical Corp., Milwaukee. He formerly was with M & I Bank, Milwaukee, and, before that, with Continental Illinois National, Chicago. He also is a founder/past president/past director, TYME Corp. Since 1983, Mr. Ruf has been a director of First Interstate Corp., formerly Citizens Bancorp.


RUF

Audited Financial Statements Advocated by C. T. Conover

BANKS and users of banks' financial statements can derive numerous benefits from services offered by certified public accountants (CPAs), Comptroller of the Currency C. T. Conover told the California CPA Foundation for Education and Research recently.

Audited financial statements provide far more detailed and accurate information than do unaudited statements, said Mr. Conover. He added that he is a strong proponent of the types of disclosures found in audited financial statements and believes all shareholders, depositors, analysts and the public in general should have access to this level of information. He pointed out that access to audited financial statements to analyze a bank's condition and make informed decisions would result in more effective market discipline.

Mr. Conover said his office continually stresses the increasingly difficult responsibilities of bank directors. Accepting a directorship no longer is an honorary, fee-generating proposition, according to the Comptroller; it involves a great deal of responsibility and potential liability. He suggested that directors look to CPAs to provide assurance that they, the directors, are adequately informed about a bank's condition.

The Office of the Comptroller of the Currency, said Mr. Conover, plans to take three important actions to increase an already high level of external-audit coverage in banks. These steps are:

- First, the OCC will begin requiring audits of newly chartered banks that are not subsidiaries of audited holding companies. New banks are being targeted because they experience a higher degree of risk than do older banks. In addition, new banks can benefit most from CPAs' expertise in helping develop systems of internal controls and management information.

The OCC is considering requiring opinion ("full-scope") audits on annual bases, with audit dates to be any month-end coinciding with the end of a calendar quarter.

- Second, the OCC selectively will require audits of problem banks. Audit requirements will be imposed on problem banks when conditions exist that actually could be improved by an audit and when an audit would benefit the bank directly. Such conditions might include poor internal controls, lack of an internal-audit function, insider abuse, an uninformed directorate, falsification of call reports and issuance of misleading reports to shareholders.
- Finally, the OCC will undertake a concerted jawboning or moral-suasion effort to encourage *all* national banks to obtain opinion audits. This jawboning effort is likely to take the form of comments in reports of examination and issuances to boards and bank managements stressing the OCC's policy in this area.

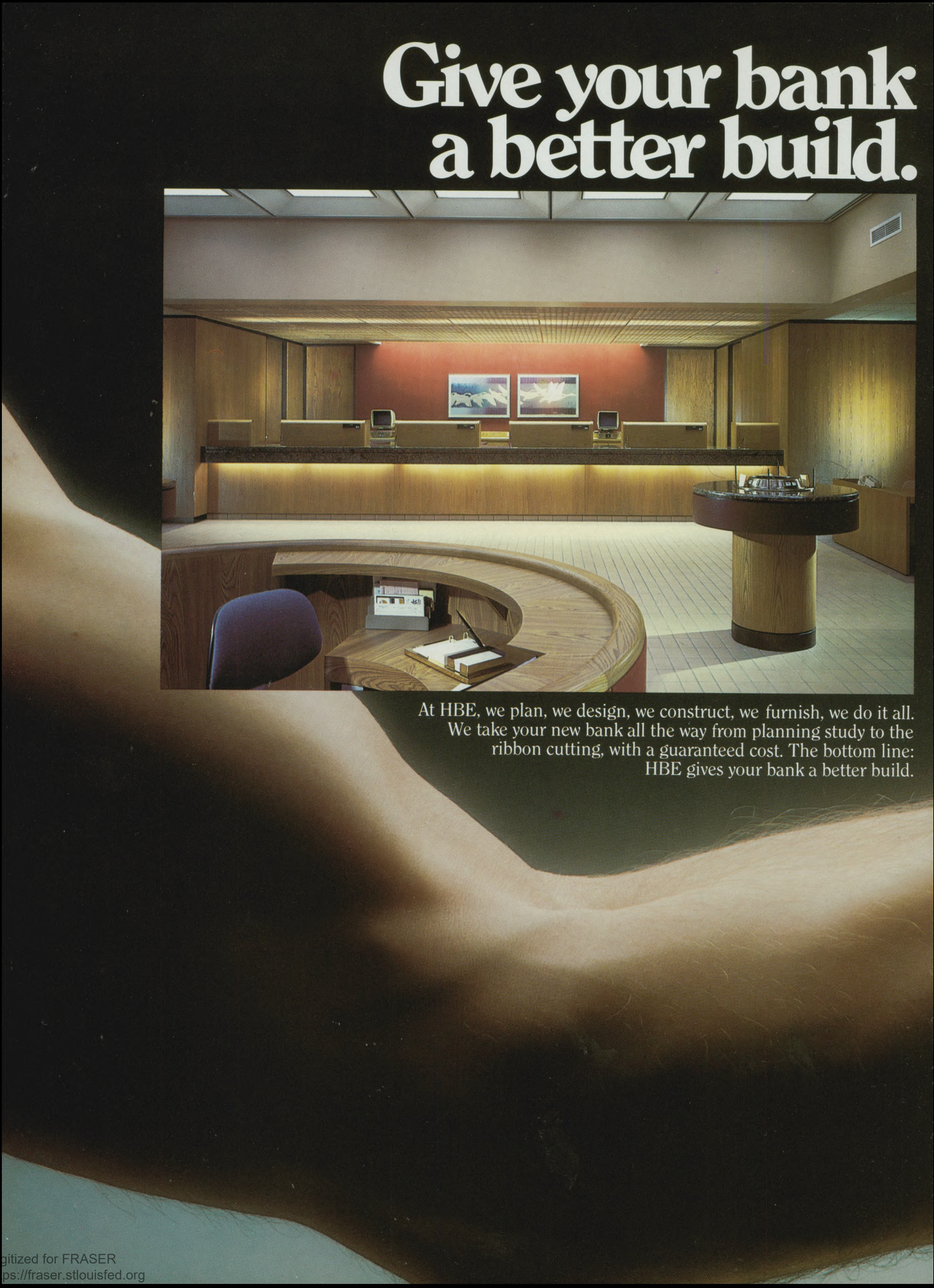
Comptroller Conover told his listeners that for their part, these initiatives offer them a significant opportunity to actively market their services to national banks. He encouraged the CPAs to pursue this opportunity.

First Bank Milwaukee has promoted Thomas A. Bartkus, Bernard R. Shaw, Gerald F. Wachuta and William J. Detienne to vice presidents. Frank J. Musbach has joined the bank as vice president, corporate lending. He was with Heritage Bank, where he was senior vice president, commercial banking group, northwest division. Robert J. Aubrecht has joined the bank's asset management/trust division as vice president in charge of trust administration. He was with First Wisconsin National, Milwaukee, in charge of investment services.

The Fed has approved the application of Bosshard Banco, Ltd., Bangor, to acquire Intercity State, Schofield, with the acquisition taking effect February 18. There now are seven Bosshard banks in central and western Wisconsin, with assets in excess of $185 million.

Robert F. Quasius has been elected president, First Interstate Bank of Wisconsin, Sheboygan. He joined the Interstate organization in 1982 and, in 1984, was made executive vice president of the HC. He retains corporate responsibility in the marketing area for First Interstate banks in Green Bay, Waupon and Oconto County. Edwin J. Nonhof and Frederick M. Hollander also were promoted, Mr. Nonhof from vice president, business banking, to senior vice president/manager, Sheboygan banking office, and Mr. Hollander from assistant vice president to vice president. In other action, First Interstate promoted Carl T. Laveck to vice president and appointed Vice President Steven J. Pamperin to its correspondent banking department.

First Wisconsin National, Eau Claire, has officially changed the name of its University Office to Sky Park Office to better reflect the bank's location in Sky Park Industrial Center. The office is one of three First Wisconsin branches.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BERMAN TECHNOLOGIES

• **InnerLine.** Continuous updates of commodities futures is a new feature included in Powers Financial and Commodities Futures Hedge Management service. The service is designed to assist financial executives with asset/liability management, including education, software information and daily commentary. The education section is designed to help novices as well as more sophisticated hedgers. The software area includes information on futures software packages and applications. Commentary examines hedging strategies daily, providing continuous market quotes, daily market commentary, daily analysis updates and weekly trend forecasts. Write: InnerLine, 95 W. Algonquin Rd., Arlington Heights, IL 60005.

• **Fenco.** This firm has a new microform lateral file cabinet for storage of 5x8 aperature cards, roll film, cartridges and microfiche. The firm's product series 1850 consists of two models, a nine-drawer high and a five-drawer high, model 1855, with overall dimensions of 36″ wide by 18″ deep with a maximum 58-3/16″ height. Each drawer includes adjustable or magnetic follower blocks and has drawer suspension. All cabinets are available with gang locking and come in 20 colors. Lift-out trays are optional. Write: Matt Lyons, Fenco Security Systems, P. O. Box 1238, Burlington, NJ 08016.

• **Mosler.** The Mosler/Toshiba CS-601 currency-processing equipment is being marketed in the U. S. by Mosler under terms of an agreement with

Toshiba of Japan. In a single pass, the equipment reads, sorts by denomination, faces, counts and totals seven denominations of U. S. currency. It also rejects unfit and counterfeit bills and, with a light and sounder, alerts the operator to counterfeit currency. It has a feeding-unit capacity of 1,000 bills and operates at a speed of 600 bills per minute. Write: Mosler, 1561 Grand Blvd., Hamilton, OH 45012.

• **Brandt, Inc.** This firm has introduced its Model 749 Coin Counter/Packager, designed to package coin as well as count and bag coin at preset stops. It features a small coin offsort for increased throughput and accuracy by offsorting smaller coins or for sorting coins one denomination at a time. Options include individual coin tubes, offsort bagging attachments and a carrying handle. Write: Brandt, Inc., P. O. Box 200, Watertown, WI 53094.

• **Actron, Inc.** This firm's AutoGuide Drive-in Traffic Control System directs waiting customers at drive-ins to available teller lanes. Customers are served on a first-come, first-served basis and the work load is spread evenly among all tellers. An optional Management Information Printer provides data to evaluate teller efficiency. Write: Actron, Inc., 1351 Jarvis Ave., Elk Grove Village, IL 60007.

• **Daktronics.** The Venus 5000™ animation display control unit is a computer system for controlling animation displays. It is capable of displaying animated cartoons, word messages and graphics through a typewriter-style keyboard. The system utilizes an IBM personal computer and other electronic circuitry and software designed by Daktronics. Write: Daktronics, Inc., 331 32nd Ave., Brookings, SD 57006.

• **Homestead Management Systems, Inc.** This firm has released its Homestead Farm Financial Planner, a new micro-computer software program for agricultural-credit analysis and farm-financial planning. The planner takes a businesslike approach to generating financial projections, addressing two major concerns of ag-lenders: inadequate information and lack of time for analysis. For more information, call 515/225-0085 collect.

• **Decimus Corp.** A new in-house data-processing system that runs on an IBM System 34 or 36 is available. It's called V.I.P. 34/36™ (Versatile, Independent Processing) and uses proprietary software with parameter-driven menus, common name-and-address file and customization options for banks with special needs. It can be combined with another Decimus product, a MICR item-processing system that operates on an IBM personal computer. Applications include deposit systems such as demand deposit, savings and CD accounting; loan systems, such as commercial, mortgage and installment; financial reporting (general ledger) systems; on-line information systems; and subsidiary systems such as account reconciliation, automatic transfer and safe-deposit accounting. Phone: Andrea Dailey, 415/622-2342.

• **Federal Sign.** Innerface is the name of an interior sign system produced by this firm. It enables a facility to make changes to interior directional or informative signs. Innerface signs have the appearance of subsurface silkscreen signs without the costs and extended delivery times typical for such

signs. A key is inserted into the sign and the interior graphics portion is removed. Replacement graphics can be produced by Federal Sign or the customer can re-letter the sign in-house, using a lettering guide, and display the revised sign immediately. Write: Marketing Department, Federal Sign, 140 E. Tower Dr., Burr Ridge, IL 60521.

• **Kenneth J. Lewis** has been named vice president/chief operating officer for the Midwest corporate-banking operations of Citicorp (USA). He succeeds Alan J. Weiss, who now heads the corporate-banking operations of Citicorp's central-southern division.

'Banking and Bottom Line' Is Theme Of Ohio Convention in Columbus

A WIDE VARIETY of banking topics is on the program for this year's annual convention of the Ohio Bankers Association, set for April 8-10 at the Hyatt Regency, Columbus.

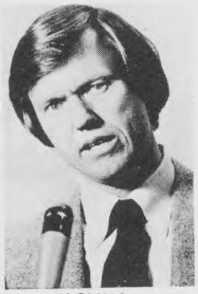
Convention theme is "Focus on Banking and the Bottom Line," according to OBA President Ernest J. McFarland, who also is president, First State Bank of Adams County, Winchester.

Mr. McFarland says the convention theme is a reflection of the OBA's desire to respond to the needs of its members to deal with relevant, topical issues that have an impact on bankers' ability to operate profitable institutions.

First topic on the program will be "Pricing of Fee Income-Producing Services" by Phillip White, associate professor of marketing at the University of Colorado, Boulder. The presentation will deal with value pricing and how to move fee-income dollars from the table top to the bottom line, according to Dr. White. He says the basic argument is that traditional reliance on costs and competitor prices is having the effect of obscuring some important pricing opportunities. He adds that the key concept bankers must begin to think about is the value being provided to customers.

Convention Speakers


SENTERFITT


ASMUS

His talk will be given at 2 p.m., April 8, in the hotel's Delaware Room.

Tuesday's program will begin with the traditional legislative breakfast at 7:30 a.m. in the Franklin Room. Members of the OBA's state and national legislative committees will update bankers on current legislative topics.

A talk titled "Perspectives on Financial-Services Marketing" will be given by Leonard Berry, professor of marketing at Texas A&M University at 9 a.m. in the Delaware Room.

Focus will be on the new emphasis in banks on the importance of a sound and organized marketing effort. Dr. Berry will assume the presidency of the Bank Marketing Association in 1986.

A series of "Bottom-Line" workshops is set to begin at 10:30 a.m. in the Delaware Room, to be repeated at 2:30 in the afternoon. Topics scheduled are "One-Bank HCs," by Douglas Austin, president, Douglas Austin & Associates, Toledo; "Ohio Consumer Financial-Service Expectations," by Paul Keckley, Keckley Market Research, Nashville; and "Making Officer Call Programs Work," by Laird Landon, business-development specialist.

The HC session will review the merits of the one-bank-HC structure and deal with the pros and cons of the topic. The consumer financial-service-expectations workshop will focus on a new study dealing with the question of what Ohio consumers need, want and expect from institutions providing financial services. Survey results will be available in late March, which means that bankers attending the OBA convention will be among the first to see the results. The officer-call workshop is designed to help bank executives develop and maintain an effective sales environment and calling program within the bank.

The traditional OBA business/awards luncheon will be held at noon in the Franklin Room. President McFarland will give his address and officer elections will be held. On the awards side, the BankPAC banker of the year will be honored; the Ohio School of Banking scholarship will be awarded, and the Buckeye Marketing Award "Best of Show" will be presented.

A bank-performance analysis will be presented by Harry Blythe, Ohio State University, Columbus, at 1:30 p.m. in the Franklin Room, immediately following the awards luncheon.

Wednesday's schedule will include the Ohio BankPAC report and ABA members business meeting at 9:30 a.m. in the Delaware Room. Guest speaker will be Donald Senterfitt, ABA president-elect and vice chairman, Sun Banks, Orlando, Fla.

Making his fourth consecutive appearance at OBA conventions will be Barry Asmus, who will speak on "The Economics of Reality" at 10 a.m. in the Delaware Room.

The convention will close following a buffet luncheon at 11:30 a.m. in the Delaware Room. ● ●

OBA Leadership for 1984-85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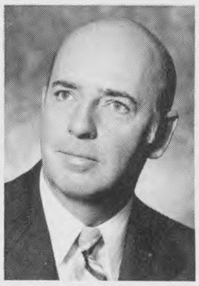
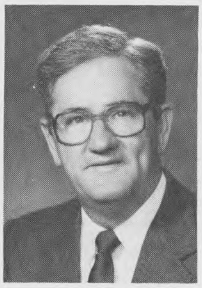
SMART


HUBBARD


McFARLAND

Heading the OBA for the past year has been Ernest J. McFarland, OBA pres., and pres., First State Bank of Adams County, Winchester. He entered banking in 1966 at Bank of Manchester Co. and joined his present bank as e.v.p. in 1969. He has been pres. since 1977. Ronald D. Glosser is OBA v.p., and pres., National City Bank, Akron. He entered banking in 1957 at AmeriTrust Co., Cleveland, and moved to his present institution in 1968 as v.p./sr.t.o. He has been pres. since 1974. H. Eugene Smart is OBA treas., and pres., State Bank, Defiance. He entered banking in 1948 with the FDIC in Columbus, joined his present bank in 1956 as a.c. and was named pres./CEO/dir. in 1968. C. Richard Hubbard is OBA ch., and pres., Peoples Bank, Nelsonville. He entered banking in 1958 at City National, Columbus, and joined his present bank in 1959 as a.c. He has been pres. since 1970.

Software Directory

MORE than 75 software firms responded to MID-CONTINENT BANKER'S recent survey of software firms that produce products for financial institutions. Due to space limitations, MID-CONTINENT BANKER had to restrict the number of listings to three per firm. The listings are grouped alphabetically by type of use below. An alphabetical listing of the vendors with products described begins on page 46.

Agri-Banking

FarmChek™

Computer-based financial-management service designed for the particular needs of farmers, ranchers and small businessmen.

HARDWARE: Burroughs B-90 and larger.

HARDWARE REQUIREMENTS: CMS and native mode systems only.
Farm Data Corp., Burnsville, MN

Ag • Pac

Provides profit/loss analysis for crop/livestock enterprises.

HARDWARE: Apple II series, IBM PC, XT, DEC Rainbow 100 PC.

HARDWARE REQUIREMENTS: Dual-disk drives for other than XT models

Wisconsin Microware, Inc., Madison, WI

Agricultural Analysis

Bank-oriented, menu-driven program that permits credit analysis, IRA accounting and interest-margin analysis. Includes farm planner and loan-document processor.

HARDWARE: IBM PC, XT, Apple III, Burroughs B25.

Microcom, Inc., Cedar Rapids, IA

AccuFarm-GL

Follows format of FHA-approved coordinated financial statements for cash-flow monitoring, tax purposes or complete general ledger designed especially for farmers and farm lenders.

HARDWARE: IBM or compatibles.

HARDWARE REQUIREMENTS: Hard disk.

Ontario Systems Corp., Muncie, IN

The Homestead Financial Planner

A tool for farm-credit analysis that benefits ag lenders by generating more reliable information in less time. It produces monthly cash flows, financial ratios and other reports.

HARDWARE: IBM PC, XT, AT and IBM compatibles.

HARDWARE REQUIREMENTS: 128K RAM, dual drives or hard disk and one floppy drive.

Homestead Management Systems, Inc., Des Moines, IA

Asset-Based Lending

CLF/3000

On-line, interactive computer system designed to support asset-based lending. It manages cash, disbursements and daily activity with corporate, regional and branch reporting capabilities.

Custom Application Systems, Inc., Los Angeles

Asset/Liability Management

Money Maker, PlanSmith, Plansmith Plus, Plansmith Extended

Four different levels of asset/liability-management software depending on degree of required sophistication. Extended version permits analysis out to six years. Training provided.

HARDWARE: IBM compatible and others.

Plansmith, Palatine, IL

BancPlan

An asset/liability-management and profit-planning model with unlimited "what-if" capabilities and interactive summary program. Planning can be done on an annual or long-range (three years) basis by quarters.

HARDWARE: IBM PC, XT, compatibles, Compaq, Victor 9000.

HARDWARE REQUIREMENTS: 128K RAM, dual drives.

Advanced Planning Systems, Inc., Arlington Heights, IL

ALMS (Asset/Liability-Management System)

Modular asset/liability system. Module I is gap-analysis/simulation and management reporting; module II is optimization; module III is bond swaps; module IV is futures trading/hedging. Consolidation/communications package, too.

HARDWARE: IBM PC, XT, AT.

HARDWARE REQUIREMENTS: 256K RAM.

Systematics, Inc., Little Rock

The Sendero Model, Level I, Level II

Menu-driven guide to aid bankers in making repricing decisions and setting balance-sheet goals. Financial statements and gap-analysis reports are produced for evaluation. Key market rates are used to project interest rates.

HARDWARE: IBM PC, XT, AT and compatibles such as Compaq, Monroe, Burroughs, AT&T.

HARDWARE REQUIREMENTS: 256K RAM, hard disk recommended.

Sendero Corp., Phoenix

Micro-BMRS

Micro-based asset/liability system that allows user to fully customize his balance sheets using Lotus 1-2-3.

HARDWARE: IBM XT, AT or compatible.

HARDWARE REQUIREMENTS: 640K RAM, color monitor, hard disk.

Chase Manhattan Bank, New York City

Asset/Liability-Management System

Capabilities include interest-sensitivity analysis, profit planning, budgeting, monthly reporting, gap analysis and graphics. Menu-driven with no programming skills required.

HARDWARE: IBM PC, XT, AT, NCR PC-4, Zenith, Compaq and most MS-DOS-based computers.

HARDWARE REQUIREMENTS: 256K RAM.

ALMS MicroSystems, Memphis

FPSpc (Financial-Planning System pc)

Menu-driven, easy-to-use asset/liability system with pre-defined color graphics, interest-sensitivity reports, static and dynamic gap analyses, regional consolidations, acquisition/merger analyses and index rates.

HARDWARE: IBM PC, XT.

HARDWARE REQUIREMENTS: 512K RAM.

Hale Systems, Inc., Roslyn, NY

Asset/Liability Management

Management package designed to assist in optimization of a financial institution's net-interest margin.

HARDWARE: IBM PC, XT, AT, NCR DM5, PC 4, Burroughs B-25.

HARDWARE REQUIREMENTS: 256K RAM.

Interactive Planning Systems, Atlanta

Bank Calc 1, Bank Calc 2, Bank Calc 3

A collection of 38 templates, which cover almost all areas of bank management and which can easily be modified by bankers with no knowledge of computer programming.

HARDWARE: Apple II, Apple III, IBM PC and IBM compatibles.

Micro Book Inc., Schaumburg, IL

Complete Asset/Liability-Management System

Comprehensive system providing asset/liability management with gap analysis, financial planning, budget comparisons, key-ratio reporting, regulatory reporting.

HARDWARE: Most popular micro-computers.

Financial Technology, Inc., Chicago

Banking/Finance

Microshare® Thrift 401(k)

Designed for 401(k) thrift plans, profit sharing, ESOP and money-purchase pension-plan record-keeping.

HARDWARE: IBM PC, Apple III

HARDWARE REQUIREMENTS: 256K RAM

Trilog, Inc., Philadelphia

Batch Data Transfer

PC-TRACS

Performs bi-synchronous file transfer to/from any mainframe, mini or board-compatible micro.

HARDWARE: IBM PC or board compatible.

HARDWARE REQUIREMENTS: Synchronous type modem, EX201C or 208AB.

Sterling Software Marketing, Rancho Cordova, CA

TRACS

Performs bi-synchronous transmission of batch data between computers and teleprocessing devices.

HARDWARE: IBM 370, 30XX, 43XX.

HARDWARE REQUIREMENTS: Transmission-control unit (TCU) and any disk or tape unit.

Sterling Software Marketing, Rancho Cordova, CA

Bond Accounting

Non-Interest Payment System (BIPS)

A real-time system for processing registered, partially registered and bearer bonds. It can handle transfers, check printing, collection-letter processing, report requests and call processing in a real-time environment.

HARDWARE: IBM mainframe or compatible or Series 1.

HARDWARE REQUIREMENTS: CICS/VS.

Shaver Associates, Inc., Orlando, FL

Bond Plus

A complete bond-portfolio data base designed to allow the addition of user-desired custom features.

HARDWARE: IBM PC, HP150, HP120, compatibles.

HARDWARE REQUIREMENTS: 128K RAM on IBM PC and HP150, 64K RAM on HP120.

Marcal Systems Corp., Cary, IL

BondPac

A comprehensive bond-accounting analysis and decision-making package providing bond accounting, portfolio analysis, multi-bond swapper and bond calculator.

HARDWARE: Most popular micro-computers.

HARDWARE REQUIREMENTS: Hard disk.

Financial Technology, Inc., Chicago

Bond Swaps

The BondSwap Manager

Analyzes economic advantages of swapping one group of fixed-income securities with another.

HARDWARE: Apple II, II plus, IIe, III in emulation; IBM PC, XT, AT.

HARDWARE REQUIREMENTS:

Piedmont Software Co., Charlotte, NC

Card Processing

Faraday Card Processing System

Enables financial institutions to submit diskettes from personal computers for data input in embossing, encoding and other card services, thus improving plastic-card processing and turnaround.

HARDWARE: IBM and compatible micro and mini systems.

Faraday National Corp., Herndon, VA

Computer Mapping

DaTamap

Provides point locations and boundaries for census, postal-carrier routes, five-digit zip codes, highways, streets, and communities.

HARDWARE: DEC, IBM.

DaTamap, Inc., Eden Prairie, MN

Credit Analysis

Commercial Credit Analysis System

Analyzes strengths and weaknesses of corporate clients based on historical evaluations of balance sheets and income statements. Ratios, trends, reconciliations, cash flows, RMA comparisons and projections are produced.

HARDWARE: IBM PC, XT, AT, Apple and IBM compatibles.

HARDWARE REQUIREMENTS: 192K RAM.

Crowe, Chizek & Co., South Bend, IN

Customer Information

PC Lockbox Voice Response Communciation System

A system in which a bank's corporate accounts obtain deposit and float information from the lockbox account via the telephone using a key pad as a control.

HARDWARE: IBM PC, XT, AT.

HARDWARE REQUIREMENTS: Cognitronics Model 638 Voice Response

Cognitronics Corp., Stamford, CT

Customer Profitability

Banking Customer Information System

Provides banks with ability to cross-reference, locate and retrieve customer-account information for tellers, loan officers and other bank officials. Up to 100 related account numbers and comments per customer.

HARDWARE: IBM System 34/36.

HARDWARE REQUIREMENTS: Minimum Configuration.

Arkansas Systems, Inc., Little Rock

Customer Service

Touch Banking

Designed to serve as an information-access companion to the ATM. Customers can arrange for future transactions, make account inquiries, open/close accounts, learn about bank services and rates and access news.

HARDWARE: IBM PC, XT, NCR Tower, ISC.

Software Alliance Corp., Berkeley, CA

Deposit-Box Accounting

Safe-Deposit-Box Accounting

Provides complete record keeping and billing capabilities for a single or multi-branch financial institution.

HARDWARE: IBM PC, XT, AT, NCR DM5, PC4, Burroughs B-25.

HARDWARE REQUIREMENTS: 256K RAM.

Interactive Planning Systems, Atlanta

SeriesOnePlus: Safe-Deposit Accounting

An automated approach to safe-deposit accounting for the bank professional. Total accounting control, including automatic generation of billing notices and processing of payments.

Executec Corp., Dallas

Electronic-Funds Switching

SATM®

Commercial electronic-funds-transfer hardware/software combination providing on-line support for ATM/POS devices and various host computers.

HARDWARE: HP1000.

ATM Network Management Corp., Downers Grove, IL

Financial-Management-Support System

Bancpen™

Provides complete balance sheets and income statements for banks selected directly from FDIC call reports. Program is in Lotus 1-2-3 format.

HARDWARE: IBM PC or compatible.

HARDWARE REQUIREMENTS: 256K RAM.

Carner & Associates, Ltd., Springfield, MO

Micro Bank Facts

Provides index of bank performance so that officers may run peer-group-performance comparison. Service available on on-line basis.

HARDWARE: IBM PC or compatible.

Plansmith Corp., Palatine, IL

Peerline

Allows a bank, S&L or HC to compare itself anonymously to peers and competitors based on a pool of confidential data relating to internal operations.

HARDWARE: IBM PC or compatible.

InnerLine, Arlington Heights, IL

Financial Planning

PFP Professional

Designed specifically for use with customers of a financial institution, this system can produce a 50-page personal financial report that can be maintained on disk for periodic updates.

HARDWARE: IBM PC, XT and compatibles.

HARDWARE REQUIREMENTS: 128K RAM and printer.

Infoware Corp., Nashville

AccuFarm PLAN

Offers a systematic way to develop a projected farm plan that includes both production and financial information on a pro-forma basis.

HARDWARE: IBM or compatibles.

Ontario Systems Corp., Muncie, IN

Fixed-Asset Accounting

Fixed-Asset Accounting

Maintains history of each asset, calculates monthly depreciation (for book and tax), calculates investment-tax credit and recapture. User may choose standard depreciation and tax credit for each asset.

HARDWARE: IBM PC, HP150, HP120.

HARDWARE REQUIREMENTS: 128K RAM on IBM PC and HP150, 64K RAM on HP120.

Marcal Systems Corp., Cary, IL

General Ledger

Micro-computer-based general ledger/financial-information system

General ledger provides complete financial reporting and control reporting. Other features include various reporting functions, massive database and user-defined charting of accounts.

HARDWARE: Most popular micro-computers.

HARDWARE REQUIREMENTS: Hard disk.

Financial Technology, Chicago

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FREMONT SOFTWARE understands a good deal of your needs because our program was developed by bankers for banks and written by data processing professionals. We also realize management structure must be right for an internal automated system.

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Integrated Bank Management

IBM System/34 Bank System

Integrated bank-processing package for the community bank, with nine modules, including CIF, DDA, savings, mortgage, commercial loans, installment loans and asset/liability management.

HARDWARE: IBM System/34 or System/36.

NuComp Systems, Inc., St. Paul

Integrated-Transaction Processing

Financial Data (System FDS)/Financial Terminal System (FTS)

Uses IBM Series 1 and proprietary software to connect and intermix teller and administrative terminals and ATMs on line to a central computer system.

HARDWARE: IBM Series/1.

HARDWARE REQUIREMENTS: IBM Series/1 with connections to IBM System 34/36/38, System 3 or any S/370.

SDD, Inc., Boulder, CO

ABS (Advanced-Banking-System)

A flexible, parameter-driven, retail-oriented financial-transaction system allowing users to create/maintain CIF, deposits, loans and general ledger with ability to back-date and future-date transactions.

HARDWARE: Geac 8000 and the Concept 9000.

Geac Computers Inc., Woodland Hills, CA

Community-Banking Software

Enables a bank to automate all bank functions and, in so doing, reduces processing costs while affording greater flexibility in all applications.

HARDWARE: IBM Series 1, 4300, 370; Honeywell, DPS-6; NCR Adds MENTOR, DEC, General Automation.

Bankline, Inc., Phoenix

V. I. P. 34/36™

A totally integrated, on-premises system that provides unified statements and databased central file. It is parameter driven, and complete maintenance and software support is provided.

HARDWARE: IBM System 34/36.

Decimus Data Services Corp., Walnut Creek, CA

The Canton System 1990

An integrated financial system designed to provide a complete package of services for financial institutions.

HARDWARE: IBM System/370 (model 125 & up), 43XX and 303XX Series CPUs and plug-compatible mainframes running under DOS, DOS/VS and DOS/VSE.

Canton Automated Systems, Inc., Canton, OH

MSA Software

Nine integrated application software systems, including general ledger, forecasting and modeling, fixed-asset accounting, project tracking, inventory management, accounts payable, foreign exchange and payroll.

HARDWARE: IBM 360/370, 303XX, 43XX, OS, DOS, OS/VS1, DOS/VS(E), SVS, MVS, VRX, SSX, Burroughs 2700-7800, Sperry 1100, NCR 85XX, 86XX, among others.

Management Science America, Inc., Atlanta

System W Distributed

Integrated mainframe and micro software for financial planning and reporting. Features financial modeling, relational database management, statistics, graphics and report writer.

HARDWARE: IBM configurations with UM/CMS or MUS/TSO on mainframe and PC DOS on micro-computer.

HARDWARE REQUIREMENTS: Micro software sold only with mainframe software.

Comshare, Ann Arbor, MI

FMS MOD IV

Contains major enhancements to previous financial-management system in the areas of forecasting, budgeting and warehouse entry. Designed to be a complete financial-institution accounting and management system.

Systematics, Inc., Little Rock

Integrated Bank System

BANK250

Consolidates loan accounting, savings accounting, demand-deposit accounting and safe-deposit accounting with a customer-information file that maintains records on every customer for on-line inquiry or batch processing.

HARDWARE: HP 250 Model 10.

HARDWARE REQUIREMENTS: 212 modem, port and memory for phone-in support capability.

Marcal Systems Corp., Cary, IL

FutureBank

A versatile, flexible, easy-to-use and inexpensive system for financial institutions.

HARDWARE: IBM PC, System 34/36/38.

International Software Inc., Allentown, PA

Integrated Banking

OMNI

Totally integrated in-house data-processing system that includes training, planning, documentation, installation, federal-regulatory compliance, new-product enhancements and around-the-clock support.

HARDWARE: IBM System 34/36.

OMNI Resources, Inc., Altamonte Springs, FL

Integrated-Financial Control

Financial-8® for Banking Industry

Integrated system for financial control, including following accounting modules: accounts payable, capital project, exployee-expense, fixed asset, general ledger, inventory control, purchasing and requisition management.

HARDWARE: IBM 370, 303XX, 43XX.

American Software, Inc., Atlanta, GA

Interest-Margin Spread

The Bond Bidder with Optimizer

Developed for municipal underwriters to calculate NIC, TIC, spread, etc., for serial and term-bond issues.

HARDWARE: Apple and IBM PC, XT, AT

Piedmont Software Co., Charlotte, NC

Investment Analysis

Investment-Management System

Professional system for processing fed funds, commercial paper, CDs, repurchase agreements and other interest-bearing securities.

HARDWARE: Apple, IBM PC, XT, AT.

Piedmont Software Co., Charlotte, NC

One-Minute Market Analyst

Provides regular updates of a wide range of market indicators, including NYSE, AMEX, OTC, gold/silver, interest rates and currencies to aid in market analysis.

HARDWARE: IBM PC, XT, AT.

HARDWARE REQUIREMENTS: Hayes modem, dual drives and color monitor recommended.

Personal Equity Computing, Inc., Framingham, MA

Stockchart-II (OBV Analysis Software)

A stock-analysis program for performing on-balance volume analysis and generating stock charts for technical analyses. It can retrieve quotations from Dow Jones or from Warner Computer's financial database.

HARDWARE: IBM PC, XT, AT and compatibles, including Compaq, Tandy 1200 and 1000.

HARDWARE REQUIREMENTS: 128K RAM, dual drives or one drive and hard disk, IBM graphics adapter.

Micro-Investment Software, Inc., Stockton, CA

Options-80: Stock-Option Analyzer

Maximizes annualized returns from calls, puts, spreads, covered writing and allows commission and cost of money. Includes graphs and tables. Black-Scholes modeling available in advanced versions.

HARDWARE: IBM PC, XT, Apple family, TRS-80, Wang.

Options-80, Concord, MA

Investment-Oriented Statistical Software

Fifty programs for statistical forecasting of stocks, bonds, options, futures and foreign exchange.

HARDWARE: IBM, Apple, Radio Shack, Commodore, Kaypro, DEC, Sanyo or any MS-DOS or CP/M-based system.

HARDWARE REQUIREMENTS: 48K RAM.

Programmed Press, Elmont, NY

Loan Calculation/Documentation

T III-LPS

Calculates any loan by using Regulation Z formulae and printing required loan documentation.

HARDWARE: IBM PC, Monroe 2000, Oliveti M 24, AT&T 6300.

HARDWARE REQUIREMENTS: 128K RAM, reverse-feed printer.

El Dorado Systems, Inc., Richardson, TX

Loan Management

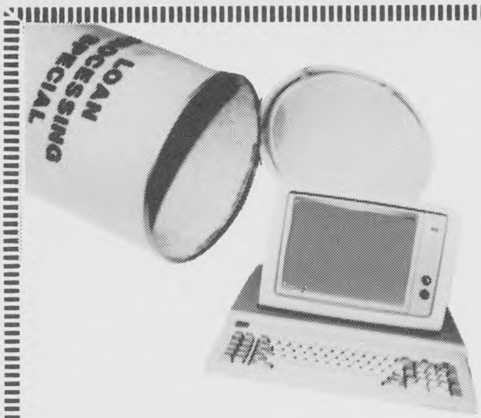
Loan-Loss Control

Provides complete tracking of loans from date of charge-off through final disposition and has customer-information-file capabilities.

HARDWARE: IBM PC, XT, AT, NCR DM5, PC4, Burroughs B-25.

HARDWARE REQUIREMENTS: 256K RAM.

Interactive Planning Systems, Atlanta



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Canned programs for your loan processing functions are costly substitutes for the real thing. Because of their inflexibility, all they can offer is the prospect of greater expense as your department grows or changes. But, that's history because the LOANStar system for loan processing can give you a taste of the future right this minute.

Designed as fifth-generation software, LOANStar's artificial intelligence allows you to perform:

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LOANStar operates at speeds 3 to 10 times faster than those "canned goods" and it automatically eliminates the worries associated with examiners and compliance officers.

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Loan Processing System

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P.O. Box 459 Conyers, Ga. 30207 404-972-2871

Loan Pricing

Loan Pricing

Analyzes historical loan/deposit information to project profitability of new and existing loans based on target return. Reports in actual dollars and annualization of yields.

HARDWARE: IBM PC, XT, AT or compatibles.

HARDWARE REQUIREMENTS: 256K RAM.

Crowe, Chizek & Co., South Bend, IN

Loan Processing

LoanStar

A calculating, forms-printing and tracking system for installment loans, consumer loans and mortgages.

HARDWARE: IBM PC and compatibles, NCR DecisionMate 5.

HARDWARE REQUIREMENTS: 256K RAM.

Financial Software Corp., St. Charles, MO

Matsch Loan-Processing System

A complete installment-lending package with automatic document preparation and reporting features.

HARDWARE: NEC-Astra

Matsch Financial Systems Ltd., Grand Rapids, MI

Personal-Banker System™ Loan-Document Processing

Calculates payments for all types of loans, including finance charge, and all insurance premiums. Automatically completes all user's loan and insurance documents.

HARDWARE: IBM PC or compatibles.

HARDWARE REQUIREMENTS: 256K RAM with dual drives or one drive with hard disk.

Computech, Inc., Minneapolis

Comp Systems Package

Designed to be a complete mortgage-processing, tracking and closing package with screen and forms generator.

HARDWARE: Any MS-DOS or Unix/Xenix-based machine.

HARDWARE REQUIREMENTS: 128K RAM.

Comp Systems, Miami

Mortgage-Servicing Package

Part of a package of loan-servicing software that includes residential loan-inventory control, construction loan-management package and residential loan-production package.

HARDWARE: IBM Mainframes.

Computer Power, Inc., Jacksonville, FL

Profile

Integrated (commercial, consumer, mortgage, construction, student) loan processing, tracking and document-preparation system for use in primary and secondary markets.

HARDWARE: Digital Equipment Corp.'s Rainbows and Micro Vax's; IBM PC/XT.

HARDWARE REQUIREMENTS: 256K RAM.

S. C. A., Malvern, PA

Merger Analysis

2AB/DataBank

Performs tasks essential to competitive analysis of financial-institution mergers under Department of Justice/Fed guidelines.

HARDWARE: IBM PC, XT and other compatibles.

HARDWARE REQUIREMENTS: 128K RAM and dual drives.

Analex, Inc., Durham, NC

Mortgage

DCC Mortgage-Banking System

Newly enhanced system now capable of handling needs of all mortgage bankers regardless of number of loans.

HARDWARE: Data General Eclipse, including DG Desktop series, IBM 43XX.

Data Communications Corp., Mortgage Banking Division, Memphis

Matsch Mortgage-Closing System

A complete mortgage-closing system with reporting and tracking capabilities.

HARDWARE: NEC-Astra.

Matsch Financial Systems Ltd., Grand Rapids, MI

The Loan Handler, The Loan Tracker, The Loan Finder, The Loan Closer, The Loan Servicer

A five-package, mortgage-loan-processing package that offers a complete range of easy-to-use mortgage-processing capabilities for the micro-computer user.

HARDWARE: Apple, IBM PC, XT and IBM compatibles.

Contour, Inc., San Jose, CA

Portfolio Management

The Investor™: Portfolio-Tracking System

A new mainframe software system designed specifically to pay incentive compensation to investment officers based on size and quality of their investment portfolios.

BEI Holdings, Ltd., Commerce, GA

microISS

Enables machine-readable data transmission to or from in-house systems and ISS (a trading-activity/reporting system for custodial clients) for cash reconciliation and other processing.

HARDWARE: IBM PC XT or other compatibles.

HARDWARE REQUIREMENTS: 340K RAM, Hayes Smart Modem 1200, printer.

Interactive Data Corp., New York

Portfolio-Management System

Portfolio-management/accounting modules providing portfolio reporting, performance valuations, heavy real-time retrieval and entry of asset information.

HARDWARE: IBM PC, XT, AT, Texas Instrument PC, TI Minis, DEC, IBM System 36, 4300 VMS, Televideo, Altos.

HARDWARE REQUIREMENTS: On PCs, 256K RAM, dual floppy disks or hard disk, 132-column printer.

Information Resource Management, Bloomingdale, IL

Product Display

Financial Touch

Graphic, interactive turnkey public-access touch-screen system (with terminal) to promote retail products of financial institutions by providing information and "what-if" calculations of customers' finances.

HARDWARE: NCR InteracTV.

VCM Systems, Cedar Rapids, IA

Programming

Omni-Model Building, Report Language and Data Management

Model building of simple to complex reports with unlimited levels of consolidation. Capabilities include what-if analyses, complete financial routines, extensive forecasting and statistical analyses.

HARDWARE: IBM 370, 34XX, 3XXX, Univac 1100, DG Eclipse, Prime, DEC Vax, HP1000A.

Haverly Systems Inc., Denville, NJ

Sales Management

The Motivator™ Jr.: Sales-Incentive System

A micro version of The Motivator sales-incentive program that is designed especially for smaller financial institutions. It offers cross-selling tracking, incentive calculation and sales-management training.

BEI Holdings, Ltd., Commerce, GA

Client Lead and Listing System

Monitors and tracks calling efforts of bank officers by products, services and prospects. Can be used to organize a call program at a bank.

HARDWARE: IBM PC, XT, AT, and compatibles.

HARDWARE REQUIREMENTS: 256K RAM.

Crowe, Chizek & Co., South Bend, IN

L. E. D. Master

Software that allows a main branch or individual branches to control on-line L. E. D. boards to display current rates for CDs, IRAs or loans.

HARDWARE REQUIREMENTS: L. E. D.s with RS 232 Modem.

Miller/Zell, Atlanta

MKT/MGR™

Stores and retrieves up to 35 pieces of data on thousands of companies.

HARDWARE: IBM PC and compatible micro-computers.

HARDWARE REQUIREMENTS: Hard disk drive and printer.

Micro Applications, Inc./James Doyle Associates, St. Louis

The Lobby Manager

A lobby-automation system for loan and new accounts, including all forms processing. Menu driven with no code memorization necessary. Able to work in local-area network with main-frame communications available.

HARDWARE: IBM PC, XT, Columbia Data, NCR Model 4, Sperry PC.

HARDWARE REQUIREMENTS: 256K dual drives, hard drive recommended with minimum of 10K. For local-area network, Sperry USERNET recommended.

Advanced Resource Technologies, Inc., Council Bluffs, IA

Cross-Sell Manager

A Multimedia sales, training and management system. Software shows financial products/services in color and includes management reports. Video-based training program included.

HARDWARE: IBM PC.

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Would you love to generate three times the profit of a commercial loan? Would you love to institute a program that's predicted to be 60% of the Capital Goods Market by the 1990's? Are you within arm's reach of a telephone?

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First Lease is one of America's largest equipment leasing consultants. We help independent banks across the country set up profitable, in-house leasing departments **without** a major investment in start-up and maintenance.

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In only two days, you'll get a clear understanding of the procedures and huge benefits of equipment leasing. Plus, you'll discover what it takes to get started and how to negotiate, document and fund an equipment lease transaction.

But hurry, First Lease seminar space is limited and fills up fast. To make your reservation or to find out more, call (502) 423-7730 or fill out and mail the attached coupon.

Then attend a First Lease seminar, where you'll sit back, listen and fall in love.

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Matsch Financial Systems Ltd., Grand Rapids, MI

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Arkansas Systems, Inc., Little Rock

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HARDWARE: IBM 4300 Series.

HARDWARE REQUIREMENTS: Supports IBM, ISC, Burroughs, NCR, Lundy, Diebold and other transaction-entry equipment.

Systems Solutions, Inc., Longwood, FL

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ADP Financial Network Services
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Ann Arbor, MI 48106
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Advanced Planning Systems, Inc.
120 West Eastman, #201
Arlington Heights, IL 60004
312/392-1744

Advanced Resource Technologies, Inc.
106 West Washington Ave.
Council Bluffs, IA 51505
712/322-6824

ALMS MicroSystems
One Commerce Square
Memphis, TN 38150
901/521-0851

American Software, Inc.
443 East Paces Ferry Rd.
Atlanta, GA 30305
404/261-4381

Analex, Inc.
1901 Chapel Hill Rd.
Durham, NC 27707
800/438-5014

Arkansas Systems, Inc.
8901 Kanis Rd., #201
Little Rock, AR 72205
501/227-8471

ATM Network Management Corp.
2901 Finley Rd.
Downers Grove, IL 60515
312/932-9555

Bankline, Inc.
11225 N. 28th Drive, #C-207
Phoenix, AZ 85029

BEI Holdings, Ltd.
114 State St.
Commerce, GA 30529
404/335-5684

Berman Technologies
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Charlottesville, VA 22901

Canton Automated Systems, Inc.
100 Central Plaza South
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Canton, OH 44701
216/489-3680

Carner & Associates, Ltd.
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Springfield, MO 65805
417/866-5053

Chase Manhattan Bank, N. A.
22 Cortlandt St., 33rd Floor
New York, NY 10007
212/306-6805

Cognitronics Corp.
25 Crescent St.
Stamford, CT 06906
203/327-5307

Comp Systems
9655 South Dixie, Highway #101
Miami, FL 33183
305/666-3783

Computech, Inc.
511 Eleventh Ave. South
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(Continued on page 48)

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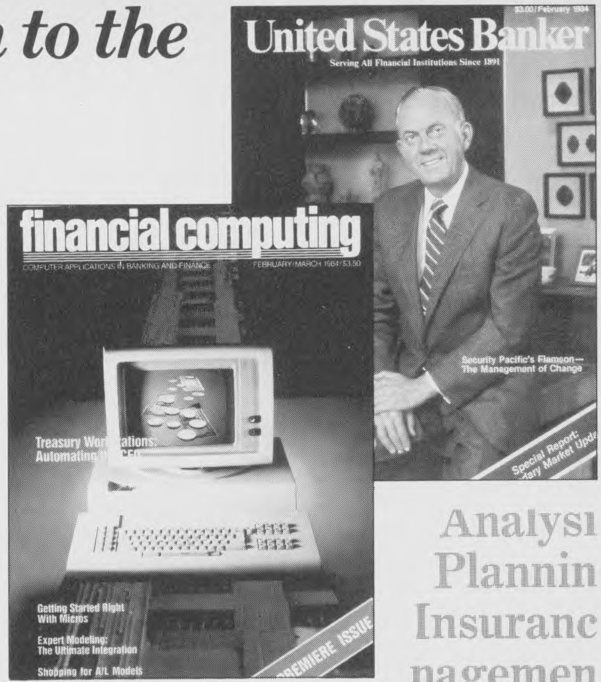

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(Continued from page 46)

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Los Angeles, CA 90049
213/820-5800

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245 Winter St.
Waltham, MA 02154
617/890-7730

Data Communications Corp., Mortgage Banking Division
3000 Directors Row
Memphis, TN 38131
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DaTamap, Inc.
6874 Washington Ave., South
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612/941-0900

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205/956-7570

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Roslyn, NY 11577
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78 Broadway
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201/627-1424

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2024 N.W. 92nd Ct.
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515/225-0085

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113 Fairfield Way, #101
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312/894-5598

Infoware Corp.
2407 12th Ave. South
Nashville, TN 37204
615/385-1515

InnerLine
95 West Algonquin Rd.
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800/323-1321

Interactive Data Corp.
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New York, NY 10007
212/676-0837

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800/241-3246

International Software Inc.
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Allentown, PA 18104
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OMNI Resources, Inc.
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Rancho Cordova, CA 95670-6095
916/635-5535

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Little Rock, AR 72212
501/223-5435

Systems Solutions, Inc.
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Longwood, FL 32729
305/869-1759

Trilog, Inc.
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Cedar Rapids, IA 52406

Wisconsin Microware, Inc.
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A Specialist's View of Leveraged-Buy-Out Lending

By Richard D. Tunick

OVER the past few years, there has been a good deal of discussion of leveraged buy-outs (LBOs), the acquisition of companies using relatively little equity capital and substantial funded indebtedness. LBOs frequently are facilitated by writing up fixed assets to reflect their allocated cost, which permits higher depreciation expense and increased cash flow. Interest expense similarly is underwritten to some extent by the Internal Revenue Service. Money formerly paid in income taxes can be applied to reduce loan principal and financial leverage.

Because many highly visible transactions have taken place, and substantial rewards have been delivered to investors, this financing form has become quite attractive, both to borrowers and lenders. This development has given rise to considerable concern by banking authorities already preoccupied with portfolio quality and by securities regulators over rapid growth of debt burdens on subject companies. This article will address some of the criticisms of LBOs and set some broad standards by which they may be done properly.

Art Form for Specialists. Having been engaged in financing LBOs for many years, known earlier to some lenders as "bootstrap acquisitions," my bank views them as an art form that should be used with great care by qualified specialists and only in appropriate circumstances. Leveraged acquisitions are not suitable for many industries, nor are they suitable for all companies in those industries that might lend themselves to this type of financing. However, those companies with secure market positions and highly predictable cash flows are appropriate candidates for LBOs. But these companies should not be strongly tied to fashion, style or technology so as to avoid either short product cycles or obsolescence.

A Good LBO Candidate. Under most circumstances, the LBO candidate doesn't have great growth potential that would attract competition from large companies. Moreover, entry into the marketplace by competing companies should be difficult because of the LBO candidate's position as a market leader, the company's substantial fixed-assets investment or existence of a franchise. There should be low requirements for capital expenditures over the first several years of the transaction coupled with minimal needs for research and development. Under no circumstances should this mode of financing be applied to immature businesses.

Richard Tunick has financed leveraged buy-outs for more than a dozen years and manages the area in his bank responsible for these transactions. In this article, he addresses issues raised recently in the media regarding leveraged buy-outs. While the author acknowledges the risks involved, he also feels this type of lending offers opportunities for success as long as traditional lending principles prevail in arranging financing.

Legal Issues. Basic rules of commercial lending apply to LBOs to the same extent they apply to any other loans. Structural forms these transactions take, however, are quite different and require the most expert legal documentation. Such legal issues as consideration for upstream guarantees, potential for fraudulent conveyances in payout of shareholders for other than a corporate purpose, compliance with Federal Reserve Regulation U (Reg U) and taxes of corporate reorganization must all be disposed of satisfactorily by experienced and qualified specialists. The lender must be satisfied the assets are sufficient to cover all indebtedness so there is no question as to the company's solvency following the LBO. If this is not the case, in the event of bankruptcy, senior lenders may have their claims equitably subordinated to other classes of creditors, who may be found to have been defrauded.

If the transaction is secured and involves purchase of stock of a public company subject to margin constraints of Reg U, the good-faith value of the collateral must comply with requirements of the regulation, which currently mandates 2:1 collateral-to-loan coverage. Should any of the collateral be disposed of prior to repayment of the loan in full, so-called "retention requirements" for comparable collateral-to-loan coverage may be deemed applicable.

While service companies generally are unsuitable subjects for LBOs, leasing companies for equipment with no risk of technology obsolescence, radio and TV stations, cable-TV franchises, beverage franchises and hospitals all may permit relatively higher degrees of leverage and, therefore, may be suitable for LBOs. In many cases, it's possible to pass along the potential of interest-rate increases to the customers. Where this is not feasible, it is judicious to use as much fixed-rate funding as possible so as to project costs with the greatest degree of certainty. This may take the form of matched-funded bank loans or so-called "mezzanine" financing, either subordinated debt or preferred stock, which can enhance the limited capital in the transaction.

If subordinated debt is involved, it should be subordinate in all respects and at all times to both principal and interest on the senior debt. Default on subordinated debt should not be permitted to accelerate any other indebtedness of the company. Source of subordinated debt should be institutional and not transferable except to other financial institutions. Taking this measure avoids the potential defense in bankruptcy that the subordinated class of claimants is unsophisticated and de-

 Richard D. Tunick is s.v.p., corporate finance division, National Westminster Bank USA, New York City.

serving of protection at the expense of the senior lenders.

Considering profits enjoyed by some investors in LBOs, many lenders have been tempted to operate as merchant bankers. These lenders focus on the potential rewards (by investing in all tranches or layers in the transaction, including senior and subordinated debt, common and preferred stock) rather than on some of the risks. The pricing of these transactions should reflect their complexity and uniqueness, both of which determine the time required to analyze and structure them properly, rather than the inherent risk to the lender. If the risk is significant, the loan request should be declined.

To the extent the acquirers have relatively less at risk, this does provide a cogent argument for the lender's gaining a greater reward from successes of the transaction. Since the front-end fees to the deal sponsor may exceed the amount of his risk capital, the prospective lender may be properly skeptical. Moreover, many large LBO-fund managers are compensated handsomely irrespective of the ultimate success of their investments, although, in all fairness, there usually is considerable incentive for the fund manager to be successful. At all times, however, one should remember that a higher interest rate or equity participation (through either common stock or stock warrants) will not be adequate compensation for a poorly conceived transaction.

Unwise Lending/Investing. As LBOs began to attract a great deal of notoriety, it was reasonable to anticipate that the fundamental human quality of greed would encourage unskilled sponsors and lenders to engage in this practice. The result was readily anticipated with more people and more money chasing a finite number of appropriate opportunities. Moreover, the massive size of some LBO funds has effectively increased the size of potential transactions. In many cases, prices for companies rose beyond the level where their acquisitions could be financed economically. Many LBOs were done for companies without secure market niches or highly predictable cash flows and lacking the quality of management to succeed in a highly leveraged condition. In addition, aggressive lenders, ignoring their experiences with real estate investment trusts, oil tankers, energy loans and loans to less-developed countries, elected to cut prices, eliminate collateral, drop covenants and ignore those safeguards that historically provide some financing discipline.

With increased media attention pointing out the excesses on the part of banks and others, many lenders have elected to retrench and now are avoiding all LBO transactions, some of which are quite meritorious. There are two lessons to be learned from recent history:

1. If one is to meet the aggrandized market price for a good company that otherwise would be suitable as the subject of an LBO, the transaction no longer may make economic sense to the investor or lender. The investor no longer may be able to receive his targeted return on investment, and the lender may find that debt-service coverage is insufficient and risk of interest-rate fluctuation is excessive.

2. Commercial bankers never should forget the most fundamental tenets of lending. Bankers should require proved management and at least two satisfactory forms of loan repayment rather than assume existence of an ebullient market for equities or an uninterrupted growth environment and increased operating margins.

LBOs' Positive Side. Participants in an LBO can make a contribution to the economy by identifying and increasing productiveness of industrial, financial and human resources. Encouraging the entrepreneur (investor/manager) to reap greater rewards from his labors by providing him with incentive compensation, a direct-equity participation in the LBO or through ownership of shares in an employee stock-ownership trust (ESOT) will enhance the performance of the entire economy. Recent changes in legislation encourage loans to finance ESOT investments in the operating company by making a portion of the interest earned nontaxable to the lender. Payments by the company to the trust will continue to be tax deductible.

Also to be considered is that not all entrepreneurs have the capability to operate in a highly leveraged environment. Quality of management should be quite high in an LBO. Many divisional managers have been spoiled by the deep pockets of a parent company and cannot adjust to a change in corporate culture irrespective of incentives. Once capable management has been identified, however, it should be wedded to employment contracts and provided with incentives that conform to the nature of the company and structure of the LBO.

Possible Excesses/Strengths. The LBO is a good example of the type of opportunity that can present itself in a free-enterprise economy that, by its nature, can be subject to excesses. If we apply Darwinian theories of evolution, wherein the fittest survive and perpetuate their qualities, the LBO permits investments in mature, stable companies to be liquefied. Buy-out of original shareholders frees up funds for investment elsewhere in the economy, further permitting capital formation, research and development in new technology or capital accumulation to finance everything from governmental deficits to home mortgages.

One of the great strengths of our economic system flows from the inherent risk of business failure and opportunities that may be created thereby. Under our bankruptcy system, assets of bankrupt operations become recycled and under good stewardship have led to some of the great successes in recent years: Penn Central, Toys R Us, Miller-Wohl. Under our tax system, net operating losses (NOLs), resulting from earlier failures, may be carried forward for tax purposes. One of the most efficient means of doing so is by acquiring companies with substantial profits that can be sheltered from taxes with benefits of these NOLs. Penn Central has grown significantly from being able to shelter its income. The recently proposed acquisition by United Merchants & Manufacturers of Jonathan Logan is predicated on similar principles.

One should not generalize excessively on the subject of LBO financing. Each company is unique, notwithstanding its operation within an industry or industries that may make the company suitable for LBO financing. If the company already has substantial indebtedness or if the favorable terms of such indebtedness would not survive reorganization or consolidation with another entity, an LBO arrangement may not be feasible.

A deal is not to be condemned simply because it depends on disposal of operations or assets. It may be entirely reasonable to rely on such measures if items to be liquidated are readily marketable at given price targets under virtually any circumstances. On the other hand, one is ill advised to rely on inflation, a turnaround in operating performance or management's increased incentive to provide for uninterrupted sales growth and enhanced operating margins. If historical results in terms of unit sales and margins do not allow for an adequate degree of debt-service coverage, the prospect of equity participation probably should not be an inducement to lend. The comfort level as to debt-service coverage will vary in accordance with asset coverage under a conservative liquidation analysis.

De-Conglomeratization. Much as the 1960s evidenced formation of conglomerates, we now are observing the deconglomeratization process, whereby the entrepreneur who had difficulty operating happily within the corporate fold of the conglomerate now can be his own boss and reap substantially greater rewards from his labors. While one could argue that the newly independent companies are highly leveraged, one benefit is reduction of leverage and improvement of liquidity of the former parent company, permitting investments in plant and technology that may have been ignored over the past few decades.

Key to Successful LBOs. There would appear to have been some excesses respecting LBOs in the recent past — certain companies were purchased at exorbitant prices, and several transactions were structured poorly and provided inadequate compensation to lenders involved. However, we now have returned to a scenario that has existed for much of the past decade. A few, highly skilled financiers are engaged in re-allocation of resources in the spirit of our system of free enterprise.

Among the costs of projected successes is failure. Rate of failure of LBOs in my bank appears to be lower than with less-leveraged loans, and returns certainly are higher. Our activities are limited, however, by the number of properly qualified lenders and by a desire to achieve appropriate balance in the loan portfolio. It's difficult to determine the reason for my bank's results. They may be a function of better lenders doing more analysis and proper structuring of loans to market niche companies with top-management teams. Or they could be a consequence of these transactions being well collateralized with market values above those reflected on historical financial statements.

We always must be cognizant of the bases of a good loan. A loan to a company with little leverage may offer neither asset protection nor debt-service coverage. Similarly, in a highly leveraged scenario, it's possible to make conservative assumptions in financial projections that will provide that degree of comfort we seek. Since each potential LBO is unique, it should be viewed with a degree of flexibility while, at the same time, applying those basic commercial-lending standards that have stood the tests of time. • •

Choose Software

(Continued from page 24)

choose to engage a consultant who has gone through the process before in order to take advantage of his expertise and experience and to reduce the time required. However, you should insist on extensive involvement from members of your software-evaluation group, and the final recommendation of the "right" software should be theirs, not the consultant's. That software will be around a long time after the consultant is gone. • •

• **N. W. "Red" Pope** has been named senior vice president/marketing director, Valley National of Arizona, Phoenix. Mr. Pope, 1979-80 president, Bank Marketing Association, went to Valley National March 1 from Sun Banks of Florida, Inc., Orlando, where he was senior vice president, marketing.

• **Jeffrey S. Owen** has been named executive director of the ABA's banking organizations group. With the ABA since 1972, Mr. Owen formerly was director of the state association division.

Boatmen's Acquisition of CharterCorp Makes It Missouri's Largest Bank HC

Expanded Corporate Staff, Enlarged Board Announced

ACQUISTION of CharterCorp, Kansas City, by Boatmen's Bancshares, St. Louis, has resulted in Boatmen's becoming the largest bank HC in Missouri. The acquisition became effective on January 28.

Boatmen's now includes 45 subsidiary banks operating in 100 locations in the state with total assets of approximately $6.3 billion.

When announcing consummation of the merger, Donald N. Brandin, chairman/CEO of Boatmen's, said integration of CharterCorp into Boatmen's would commence immediately and would be completed by the end of 1985.

"In addition to offering the potential for substantial economies of scale and efficiencies in operations, this merger creates a large, financially strong banking organization well positioned to take advantage of the growing opportunities in its marketplace, as well as those that are developing as a result of the rapid changes taking place in banking law and regulation on both federal and state levels." (See page 56 for an interview with Mr. Brandin.)

Two days after announcement of the consummation of the acquisition, Boatmen's released names of the members of its restructured board and corporate staff.

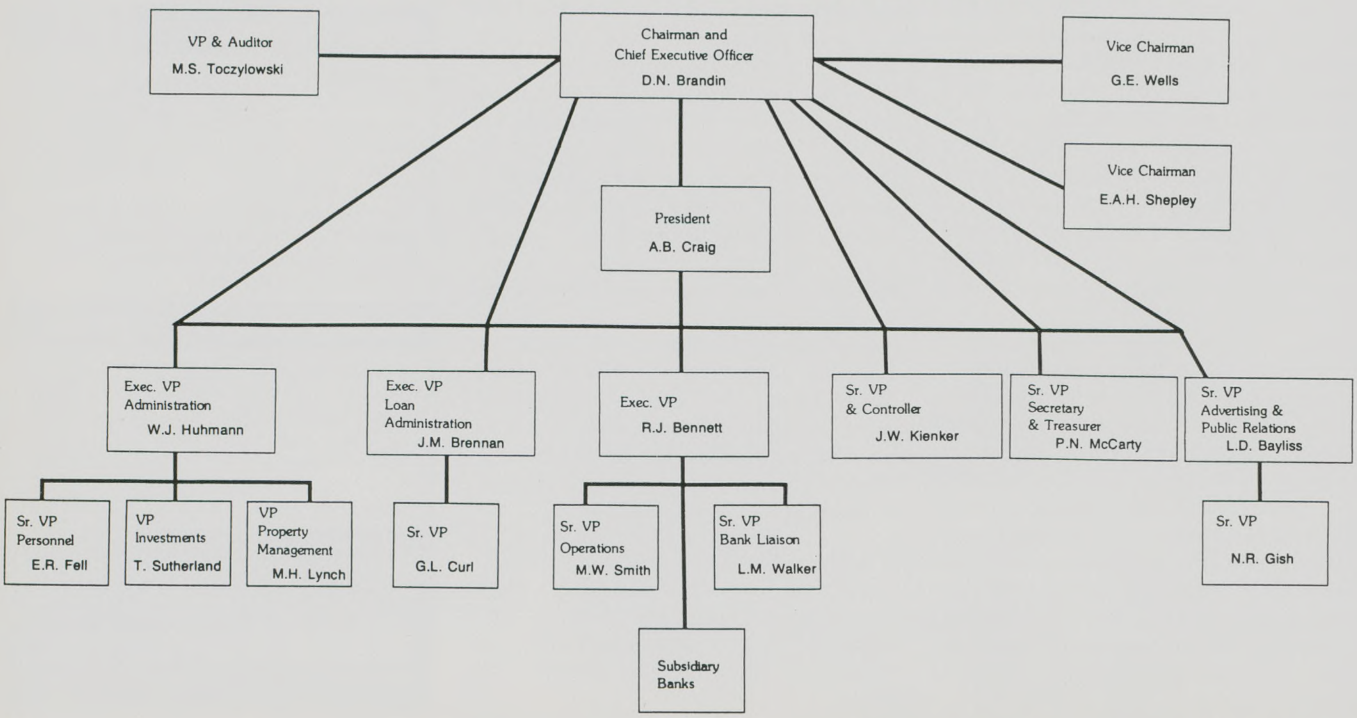
Boatmen's restructured 20-person board includes Gordon E. Wells, former chairman of CharterCorp, and five additional directors from Kansas City, all of whom formerly served on CharterCorp's executive committee.

On announcing the election of these directors, Mr. Brandin stated: "A substantial portion of our assets is in the Kansas City area; in fact, Boatmen's now is the largest banking organization in Kansas City. For that reason, we wanted strong representation there and were pleased that individuals of their stature agreed to serve on our corporate board."

The five directors, in addition to Mr. Wells, include Michael G. Fitt, chairman/president/CEO, Employers Reinsurance Corp.; William A. Hall, president, Hall Family Foundations; George E. Powell Jr., chairman, Yellow Freight Systems, Inc.; Robert Sunderland, chairman, Ash Grove Cement Co.; and Dwight D. Sutherland, partner, Sutherland Lumber Co.

Continuing board members include Ronald L. Aylward, executive vice president, Interco, Inc.; Louis C. Bailey, executive vice president/chief financial officer, Southwestern Bell Corp.; Ellis L. Brown, chairman/CEO, Petrolite Corp.; Mr. Brandin; George H. Capps, president, Capitol Coal & Coke Co.; Andrew B. Craig III, president, Boatmen's Bancshares; Ilus W. Davis, managing partner, Dietrich, Davis, Dicus, Rowlands, Schmitt & Gorman; Julian I. Edison, chairman, Edison Brothers Stores, Inc.; Louis Fernandez, chairman, Monsanto Co.; James R. James Jr., chairman, Boatmen's Bank of St. Louis County; Henry A. Lay, executive vice

Organizational Chart for Boatmen's Bancshares



president, May Department Stores Co.; Lee M. Liberman, chairman/president, Laclede Gas Co.; Thomas P. Reidy, president, Reidy International, Inc.; and Ethan A. H. Shepley Jr., vice chairman, Boatmen's Bancshares.

Mr. Wells was named vice chairman of the corporate staff, and five CharterCorp officers and two officers from Boatmen's National, St. Louis, were added to the corporate staff.

Four of the additions from CharterCorp are moving to St. Louis: William J. Huhmann, executive vice president/administration; Earl R. Fell, senior vice president/personnel; Leland M. Walker, senior vice president/bank liaison; and Todd Sutherland, vice president/investments.

The fifth addition from CharterCorp is Norville R. Gish, senior vice president/advertising and public relations, who remains in Kansas City.

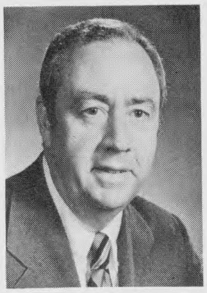
The two transfers from Boatmen's National, St. Louis, are Marvin W. Smith, senior vice president/operations, and Michael H. T. Lynch, vice president/property management.

These individuals join the five senior members of the present staff who played major roles in bringing Boatmen's to its present position: Robert J. Bennett, executive vice president; John M. Brennan, executive vice president/loan administration; James W. Kienker, senior vice president/controller; Philip N. McCarty, senior vice president/secretary/treasurer; and Larry D. Bayliss, senior vice president/advertising and public relations.

The newly named Boatmen's First National Bank of Kansas City has announced the names of its 25-member board and 17-member advisory board. The new board includes representation from the former boards of First NationalCharter, Boatmen's Bank and CharterBank Ward Parkway, all in Kansas City. The merger will become final when regulatory authorities give their approvals.

The bank's new board consists of Charles W. Battey, president, United Telecommunications, Inc.; Ross Beach, president, Kansas National Gas, Inc.; Edward L. Benson, president, Benson Investments; Mr. Brandin; Bernard H. Brown, president, Sam Brown Co.; Ilus W. Davis, managing partner, Dietrich, Davis, Dicus, Rowlands, Schmitt & Gorman; Archie R. Dykes, president/CEO, Security Benefit Group of Companies; Robert E. Esrey, president, Robert E. Esrey & Co.; Michael G. Fitt, chairman/president/CEO, Employers Reinsurance Corp.; W. D. Grant, chairman, Business Men's Assurance Co. of America; Michael E. Herman, senior vice president/chief financial officer, Marion Laboratories; William A. Hall, president, Hall Family Foundations; Charles H. Hunter, partner/executive vice president, Kes-

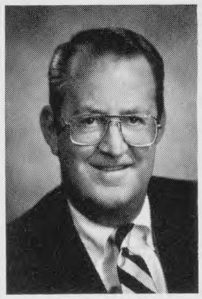
Top Management at Boatmen's Bancshares



WELLS
Vice Chairman

BRANDIN
Chairman/CEO

CRAIG
President



SHEPLEY
Vice Chairman

singer/Hunter & Co., Inc.

Charles W. Keller, executive partner, Black & Veatch Consulting Engineers; John T. Lockton III, president, Lockton Insurance Agency; John T. Lundegard, chairman/CEO, Western Auto Supply Co.; Donald E. McCandless, president, Dodson Insurance Group; C. Ted McCarter, president/CEO, Boatmen's First National; Clark O. Murray, president/chairman, Inland Industries, Inc.; Landon H. Rowland, president, Kansas City Southern Industries, Inc.; Robert Sunderland, chairman, Ash Grove Cement Co.; Dwight D. Sutherland, partner, Sutherland Lumber Co.; Louis L. Ward, chairman/president, Russell Stover Candies, Inc.; Mr. Wells; and Robert M. Wolff, president, Winning Ways, Inc.

Advisory board members include Taylor S. Abernathy, investments; Gary M. Adamson, president, Air Midwest, Inc.; Francis W. Bartlett, investments; Edward L. Bittner, retired vice chairman, First National Charter-Bank, Kansas City; Lynn V. Bowman, president, L. V. Bowman Mechanical Contractors; Howard L. Brenneman, president/CEO, Hesston Corp.; Robert F. Jackson Jr., former president, CharterCorp; Forrest T. Jones, president, Forrest T. Jones & Co.; R. E. Morgenthaler, president, Interstate Insurance Agency, Inc.; George E. Powell Jr., chairman, Yellow Freight Systems, Inc.; George A. Russell, chancellor, University of Missouri at Kansas City; George Reuland, management consultant; Byron T. Shutz, realtor/mortgage banker/honorary board chairman, Byron Shutz Co.; Courtney S. Turner, investments; Walton W. Steele, former vice chairman, Boatmen's Bank, Kansas City; Vincent P. Dasta Jr., president, Dasta Construction Co.; and William P. Kline, managing director, Marsh & McLennan, Inc. • •

Bank's Loan Documentation Improved With Help of Software Program

GREATER ACCURACY and productivity have been achieved in the lending department at Peoples State, Leesburg, Ind., since the bank installed an improved computer system that operates with software marketed by Fremont Software, a division of First National, Fremont, Ind.

The new system replaced one developed in-house, says J. W. Heierman, chairman/cashier at the $37-million-asset Peoples State. The initial system was needed after Truth-in-Lending regulations required banks to disclose loan information in a set pattern that lent itself to a computerized operation.

"It was during the same time in which I had taken an avid interest in personal computers," Mr. Heierman says. "I decided to program a computer to ask questions in reference to the loan form that was necessary and, on completion, allow the personal computer to print out the documentation."

The system, although a vast improvement over the previous hand operation, had its disadvantages, notably that bank officers had to leave their desks and walk to the centrally located computer, which meant they often had to leave the customer. In addition, only one individual could use the computer at a time, and there were times when a considerable waiting period was necessary before access could be gained. This, of course, didn't sit well with waiting customers.

The bank's present IBM System 36 includes an individual cathode-ray-tube (CRT) at each officer's desk. Officers key information into the computer while they are discussing loan requests with customers. When a conclusion is reached concerning the amount a customer can afford in dollar payments, the officer simply pushes a button on the terminal and the unit prints the forms.

This procedure, Mr. Heierman says, saves six minutes per loan documentation. In addition, each loan form is legible, with all blanks properly filled out according to TIL regulations.

Accuracy of the computer-completed forms is especially appreciated by bank personnel. Prior to the computer system, errors would creep into the forms and sometimes wouldn't be noticed until after the forms had been signed and processed. When an error was found, it was necessary to contact the customer and ask him to come back in to re-sign the revised forms.

Another advantage: Since information about each loan is stored in a loan-documentation file, summaries of all loans in the system can be printed out at any time.

Mr. Heierman developed the system for a personal computer with the assistance of a hired programmer. He then took the program to Fremont Software so it could be adapted to an IBM System 34 computer and, later, to the bank's present System 36 unit.

He could see that other banks could make good use of the system, so he asked Fremont if it would add the software to its line of products. The people at Fremont liked the program so much they were happy to comply. Thus, Peoples Bank now is using software supplied and updated by Fremont that was developed by Mr. Heierman!

"We at Peoples State are excited with this new approach to handling loans," Mr. Heierman says.

The bank has a loan volume of $25 million. — **Jim Fabian, senior editor.**

• **Richard Wolf** has been named president, Extended Care Plan, Inc., a new division of IAC Group, Kansas City, credit insurance and bank-financial-services firm. Extended Care Plan markets a line of extended auto service contracts through lending institutions. Mr. Wolf had been with IAC's insurance division since 1973.

• **Ronald D. Roberts** has been elected president/chief operating officer of the Insured Accounts Co. of the IAC Group, Kansas City. Insured Accounts Co. is a wholly owned property/casualty agency specializing in risk-management products for the banking industry. Mr. Roberts is a former product engineer for IAC.


MB82

Boatmen's CEO Talks About Acquisition Of CharterCorp

. . . as well as regional/interstate banking, nonbanks, future of midwestern banking

SIX MONTHS AGO, Boatmen's Bancshares, Inc., St. Louis-based bank HC, and Kansas City-based CharterCorp announced an agreement in principle to merge the latter HC into Boatmen's. By January 28, this merger had been consummated, making Boatmen's Bancshares the largest commercial-banking operation in Missouri, with total assets of approximately $6.5 billion.

How did Boatmen's acquisition of CharterCorp come about? What lies ahead for Boatmen's? What's the next step for this HC, whose lead bank, Boatmen's National, St. Louis, not only is the oldest bank in Missouri, but the oldest west of the Mississippi River?

To get answers to these questions as well as a perspective on the future of banking, MID-CONTINENT BANKER editors interviewed Donald N. Brandin, Boatmen's Bancshares' chairman/CEO. The questions and Mr. Brandin's answers follow.

Q.: Mr. Brandin, please tell us how Boatmen's Bancshares' acquisition of CharterCorp came about?

A.: Rationalization for an acquisition such as CharterCorp goes back a couple of years. There is a great deal of expense and difficulty involved in building a big holding company by buying small banks, which was the process all of us were using — with the prospect that interstate banking was going to develop fairly rapidly. At least, that was my opinion.

I felt we had to do something more significant and use our managerial resources more efficiently to grow in a faster and better way. So, we stopped the concept of acquiring small banks. We went through a year or so without acquiring any bank and tried to acquire only larger ones. The first was Metro Bankholding Corp., St. Louis, which was just under $500 million, and then, subsequently, CharterCorp.

CharterCorp is one I identified a number of years ago as being an organization that would fit well with Boatmen's, both from a philosophical point of view and from a position point of view. This has been true even with CharterCorp's subsequent acquisition in St. Louis of the Lichtenstein banks — City Bank and American National.

> "CharterCorp is an organization I identified a number of years ago as being one that would fit well with Boatmen's, both from a philosophical point of view and from a position point of view."

And that's proved to be the case. If you look at the 100 locations we have combined, there are only four that overlap. It is a good fit. If you are talking about possible fits, it was *the* fit. Gordon Wells (CharterCorp chairman) knew of my longer-term interest — going back well over a couple of years — and then I started direct discussions with him more than a year go.

Q.: Boatmen's acquisition of CharterCorp was completed (legally) January 28, making it Missouri's largest HC, with assets of $6.5 billion and with 45 affiliates and 100 locations throughout the state. Any acquisition of this size requires time to "shake down." What are some of the things still going on that are necessary to create an efficient organization?

A.: We started the preplanning process immediately on the date we signed the agreement — in July, 1984 — and with the cooperation of CharterCorp people, we started implementing some of the integration steps prior to the merger date. We received approval from CharterCorp's stockholders December 18, and, on the same day, we received Fed approval. Those were the last two major decisions we needed.

We had some indications the Justice Department was not concerned about the acquisition; so, we started taking some definite actions. As a result, immediately on the acquisition date, we changed the names of the CharterCorp banks. We changed all forms, signs — had temporary signs up — and we started at once to put in place plans to integrate operations. By March 15, we will have integrated all major systems. I'm talking about all major depository systems, which probably comprise about 90% of the HC's activity.

What we did was take all the best of the CharterCorp systems and programs and Boatmen's systems and programs, chose the best of them and implemented them throughout the whole organization so that every bank in the Boatmen's organization will be on identical systems and programs, probably by April 15.

Q.: What are the logistics of the acquisition of CharterCorp? Will your affiliates in the Kansas City area and nearby be administered by a staff there?

A.: The entire corporation is administered from St. Louis. We expanded our holding-company staff for the addition of five CharterCorp officers — four of whom already have moved to St. Louis. One is staying in Kansas City. Thus, the whole HC staff is in St. Louis. Banks in Kansas City, for instance, will function inside the holding company just like any other bank. Kansas City will have a branch-comptroller function and a branch-auditing function. The rest of the CharterCorp staff has been disbanded.

Q.: What are the efficiencies you *now* visualize as a result of the consolidation? For example: loan authority, investment decisions, data processing?

A.: We expect economies of scale to come into play. This is where the biggest benefits are from a financial point of view — consolidating, for example, operations divisions of our Boatmen's Bank in Kansas City and First NationalCharter Bank in Kansas City. Both ran substantial operations centers, although First NationalCharter's was larger than Boatmen's of Kansas City. Now, we will operate one center, eliminate all duplication in equipment and duplication in systems. Economies of scale, from the standpoint of personnel and equipment utilization, will be significant. We also will pick up efficiencies in processing. Unit costs, for example, can be held lower in a higher-volume operation.

As far as other efficiencies, investment decisions — short- and long-term — at Boatmen's are centralized in the HC in St. Louis. All data processing will be done through one of four operations centers. All of those centers will be on identical systems and programs, and they will be coordinated out of St. Louis. A senior vice president will be in charge of operations. His role is to coordinate activities of those four centers and to establish priorities on system design, both currently and in the future.

Q.: With your HC's combined capitalization of more than $400 million and deposits of $5 billion, do you have plans to broaden your market base?

A.: We will, of course, be the largest commercial-banking organization in Missouri. We'll have the largest trust operation and the largest correspondent-bank operation here. Thus, we're starting with a strong market base, which we intend to exploit.

We have no present intentions to open loan-production offices outside the state. Our corporate-calling program will continue to be aggressive. It requires a little better coordination, but as we merge banks, I think we will just continue the same philosophy as to our calling program that we have now.

As of year-end 1984, we became the 15th-largest correspondent-banking organization in the U. S., with over 1,500 correspondent accounts. At Boatmen's, we had somewhere between 800 and 1,000 — close to 1,000 — and CharterCorp has added the rest. There may be some duplication, but the best we can tell is that we have over 1,500 correspondent accounts.

Now, as far as expansion of normal trade areas, I don't see any real change. Boatmen's Bank in Kansas City and Boatmen's National in Springfield both have correspondent-bank operations, which are complementary and will be consolidated when the two are merged. The combined departments in St. Louis, Kansas City and Springfield are going to fit well and I think will be a more efficient unit. It will be bigger. It will have more horsepower.

Q.: From the standpoint of terminology, what do you want to call the Boatmen's/CharterCorp merger — that is, as far as "sensitivities" in Kansas City are concerned?

A.: I don't see any "sensitivities." Since we paid somewhere between 1.4 and 1.5 times book, it's an acquisition. What we have done is merged CharterCorp into Boatmen's Bancshares. It is not a merger of equals. It's an acquisition that was accomplished through a statutory merger.

Q.: Can you see some benefits to your downstream correspondent banks as a result of the acquisition?

A.: I think that with the size of our HC, we will have the capability to develop good programs for our independent banks that will help them stay independent if they choose to do so. I believe that's where correspondent banking is going. By independent banks, I am talking about small HCs or affiliated groups. I think we'll have the size to develop, on a continuing basis, programs that will be helpful to these banks; whereas, if a bank or HC is not big, it's not economical to develop these programs.

For instance, take things such as fed-fund sales. We can get much better prices in the market for those funds because we sell blocks of up to $100 million at a time, and we probably are selling $600 million or $700 million a day. Therefore, we can go to big buyers and get the best price for a $100-million block.

Q.: As you know, Missouri HB 311 would allow bank HCs in states contiguous to Missouri to acquire or merge with Missouri banks, provided those states have reciprocal agreements that would allow Missouri banks the same privilege. Do you support that concept?*

A.: I'm very much in favor of interstate banking, but not necessarily in favor of HB 311 as it now stands. That bill has branch banking in metropolitan areas, and I think that makes a lot of sense. It has interstate banking, and it has interstate powers. However, I think it has too many things in it, and I hope it will be sepa-

* Shortly after Mr. Brandin was interviewed, Missouri HB 311 was replaced with a substitute bill that doesn't contain interstate banking provisions such as contiguous agreements. However, the issue is expected to be raised again in the legislature. — *Editor*.

rated into components that can be addressed more readily than the way the bill now stands. Another feature HB 311 does not provide is a national "trigger" (a trigger means an eventual "green light" to interstate banking). From a practical point of view, I believe there has to be a national "trigger."

Q.: If we do get contiguous-state-acquisition legislation throughout every state in the nation, this would be a step toward interstate banking, wouldn't it?

A.: Yes, except, as I understand it, most of the bills would prevent leapfrogging. In other words, banks in Missouri couldn't use Kansas as a means of going into, say, New Mexico. Most of the bills do not provide that.

There are other proposals, such as one advanced by the Association of Reserve City Bankers. The ARCB is talking about dividing up the U. S. according to Fed districts. Such a proposal would add three states to the eight states contiguous to Missouri — Wyoming, Colorado and New Mexico, all in the 10th Federal Reserve District, which also serves part of Missouri.

I know there's a legal cloud now on regional compacts, but I have no objection to such compacts or to contiguous-state-reciprocity bills. I just feel the industry has to be realistic about having a national trigger, because we can't afford to be confined even to contiguous geographic restraints in the long run. It's just a matter of how long it will be before we get a national trigger. The ABA has come out with a general policy statement suggesting a five-year national trigger. Now, that could be a basis for compromise in the Missouri bill.

Any kind of regional compact, whether it be a contiguous state with reciprocity or something else, would be a good interim step for banks in those areas. However, in the long run, I believe — in speaking for Boatmen's — we don't want to be confined to contiguous states.

Q.: A provision in HB 311 would make an out-of-state HC divest itself of Missouri bank affiliates if it acquired another HC. Do you agree such a provision would be proper to prevent an over-concentration of economic resources in one or more HCs?

A.: I think it's impractical. I have made a number of public statements to the effect that I see, in the next 10 years, emergence of a number of large regional HCs with $30 billion to $50 billion in resources. I think Boatmen's could be one of those because we have the capital; we have the size; we have the staff. CharterCorp will be integrated completely by the end of the year. We're going to be ready to go somewhere, and there's no more room in Missouri. I think interstate banking is next.

As a matter of fact, I've also made the statement that if we get some more changes, we can see Boatmen's as a $20-billion organization in five years. People say that's ambitious, but if the state laws move, we'll see a big scramble for consolidations as bank organizations try to align themselves with similar organizations — ones they feel compatible with; ones they feel would be a good fit — rather than waiting around and wondering whether somebody is going to acquire them and whether it would be a good philosophic fit.

I believe that's one reason CharterCorp was interested in coming in with us. CharterCorp originally was thinking the other way: Whom did it want to get in bed with? I'm flattered to think that was one of the motivating factors in that HC's being willing to come in with us because it recognized the move as a good fit, a good, compatible fit.

Q.: HCs in other states reportedly have been buying stock interests in banks in states other than their own, sometimes close to the 5% maximum allowed by law, perhaps to position themselves for the day when some type of regional banking is allowed. Will Boatmen's do this, or have you already done this?

A.: No, I haven't and really don't contemplate doing it. I don't see the advantage of that 5% ownership. As you recall, two or three banking organizations did that some years ago, expecting that would give them some sort of an entree into the HCs in which they purchased interest. I don't think 5% does that. I think we could get that cooperation or future interest in another HC without buying 5% of its stock. I don't know what good the 5% interest does. It isn't going to block anybody else from coming in, and, if it's an unfriendly purchase of 5%, I think it's a waste of time.

Q.: On a personal note, what about your retirement? You probably have some plans you want to put in operation before you retire.

A.: I would announce any retirement plans if I had any now. At Boatmen's, the general practice is to retire at 65, although there's no legal requirement to do so. As you know, we have brought in a new HC president, Andrew B. Craig, III, who is the No. 2 man in the HC, and we have expanded our staff considerably; we have people in place, and we have succession in place. I think that when that turnover comes it will depend on our situation at the time. If we're in the middle of something big, I probably would not leave immediately. On the other hand, if everything is working normally, I assume I'll retire at 65.

Q.: Do you see Boatmen's as an "exporter" or franchiser of products/services in the same manner in which First Interstate of California has franchised banks?

A.: I don't know that I see our name on other banks as a franchise, but I do see an array of service programs, much of which we do for a number of correspondents now. Under such programs, we make available our HC's service programs — even brochures and legal documents, everything like that — to small banks to enable them to compete effectively as individual banks. Some of those banks now are tied into our ATM network, and, of course, we're part of CIRRUS. We have them tied into a discount-brokerage program. A lot of them are using our data-processing programs. Larry Bayliss, Boatmen's Bancshares' senior vice president in charge of advertising/public relations, even helps these banks arrange promotional programs. Thus, I see a delivery system that gives them all the services they would get through a franchise agreement, but without our name on their doors.

Q.: Will you position Boatmen's Bancshares to engage in insurance, real estate, etc., assuming enabling legislation is passed? Are these viable areas for banks in general and for Boatmen's in particular?

A.: Our primary interest right now is in geographic expansion — we want interstate banking. Our interest in product enhancement is somewhat more limited. We certainly want to maintain a competitive position, say, if an opportunity comes to retail insurance through our affiliates, and we'll be alert to that. But I think our primary thrust is interstate expansion as opposed to the big money-center banks that want product expansion. We want territory.

Q.: Would you agree that research and development of new products/services are a *must* for banks and that Boatmen's size now gives it more than enough resources to develop and offer new products/services both to its affiliates and, in some cases, to downstream respondents?

A.: That's true. I think size gives us the resources. We've added substantially to our staff in a number of key areas so that we will have the managerial resources to do that type of product development. Thus, I think the combination of our size and our commitment in the form of staff people should enable us to be competitive on that basis.

Q.: Would you like to finish this interview by giving your thoughts on the future of banking?

A.: I think nonbanks should be stopped. We should get back to the level-playing field. I don't think one type of financial institution should be permitted to do something another financial institution can't do. I'm optimistic about the future of banking and particularly about regional banking in the middle of the country. We've had a binge in the Southwest and now a binge in the Southeast. Before that, there was a binge in California. Maybe the next binge is going to be in the Midwest because it's a terrific place to live. It's a place where some major new HCs have materialized in an area not known for its economic development, but, nonetheless, has afforded Boatmen's, for instance, an opportunity to grow at 15% a year for 10 to 12 years. Not bad! • •

"I would announce any retirement plans, if I had any now. . . . We have brought in a new HC president, Andrew B. Craig, III, who is the No. 2 man in the HC, and we have expanded our staff considerably; we have people in place, and we have succession in place."

Future ATM/POS Trends Predicted by Manufacturer

Annual sales growth of ATMs for the U. S. market will continue to grow and will peak in 1986, followed by a levelling off of growth for the following two years, says Robert T. Jansen, president, Omron Financial Systems, Las Colinas, Tex.

Bankers can expect to see many improvements concerning the reduction of downtime, he says. Maintenance visits will be reduced from the present 10-12 visits annually to from six to eight for the next two years and will drop as low as four per year after that.

New popular locations for ATMs include train/subway stations and convenience stores. Train stations are favored due to heavy, daily repeat traffic.

Mr. Jansen says "new-generation" ATMs will be capable of dispensing statements, tickets and coupons and information such as weather reports and stock-market quotations.

He adds that ATM networks will affect the market in coming years by enabling a more viable approach to be taken to POS, resulting in a more cost-effective payments system.

POS will not replace ATMs, he says, but ATMs will enhance POS. That's because, even though both are card-based delivery systems, they serve different purposes.

One of the most important considerations when purchasing ATMs is the life-cycle cost when thinking through a five- to seven-year pro forma, Mr. Jansen says. Operating costs are much higher than initial cost of the equipment.

• **Vince Conte** has been appointed branch manager/Atlanta for Brandt, Inc., Watertown, Wis. He handles sales management in the Atlanta area.

• **Sherwin R. Koopmans** has joined Lyons, Zomback & Ostrowski, Inc., New York City, as a principal/manager of its newly established Chicago office. He formerly was assistant regional director, FDIC, in Chicago.

Increasing Use of Micro-Computers Could Boost Assets/Employee Ratios

THE increasing use of micro-computers in banking may eventually cause the ratio of bank assets per employee to double or triple from its current level of about $1 million, says CPA firm Arthur Young & Co.

The firm's national-banking group conducted a study of micro-computers in banking for the Bank Administration Institute titled "Applied Micro Integration for Financial Institutions."

"As micros shrink in size and become more powerful and less expensive, their availability to executive management and employees to increase productivity will become even more widespread," the report states.

It added that a direct result can be an increase in the ratio of bank assets per employee, which is one measure of bank efficiency.

Initially, major changes in technology will have an effect on how financial institutions deal with customers at the contact point, the report said.

Four results of having information available at bankers' fingertips were listed by the report:

- Lending officers can visit a customer's office, draw information from the customer's own computer system, analyze data and propose a financial package in one visit.
- With advances in the mouse, a hand-held device used in place of a keyboard to enter data, and in in-touch interfaces, customers can inquire about services from micros in a bank without spending time with platform officers. Touch technology enables users to call up items from a series of menus by touching the appropriate section of a micro screen.
- As software for relationship banking becomes more widespread, the account officer can analyze a customer's position, review lending options and make a decision within minutes rather than hours.
- Voice technology — storing the human voice in computer memories in digitized form — can replace the direct telephone call, enabling a bank account officer and a customer to communicate even though neither may be available to the other at the moment.

The survey was based in large part on case studies of five unidentified banks scattered throughout the U. S.

Self-Service Accounts

Self-Service Checking was introduced recently by Wilmington (Del.) Trust. The service is attractive to lower-income customers because it frees them from monthly service charges, minimum-balance requirements and per-check charges.

If account regulations are faithfully adhered to, the service is virtually free.

Customers must conduct their business through the bank's ATMs and allow the bank to retain canceled checks. Extra services result in extra charges.

The account has attracted numerous new customers and average balances are under $300. Customers take account-opening forms home and mail them to the bank's Self-Service Banking Center rather than to a branch for processing.

The majority of account holders are under 25 and are students.

Average number of checks written per month: 6.5.

Davids

(Continued from page 62)

These paper-based systems actually did truncate a certain amount of personal handlings of transactions. The systems, however, were not widely adopted until the U. S. government decided to issue certain of its payments to participating financial institutions in the form of magnetic tapes, providing for payment of social security and military benefits.

Almost every marketing study has, until now, indicated a disenchantment on the part of the public with such systems. However, these same studies reveal that disenchantment is decreasing. That is, the public is accepting direct-deposit as either inevitable or desirable.

If one were to look at population demographics, one would find that individuals amenable to Giro and similar systems are those who are better educated and more willing to accept innovation, such as home computers, etc. As the population becomes better educated and more people own home computers — or at least become familiar with them — some resistance to a Giro system will moderate.

For the community banker to ignore these developments is to be overly sanguine. With such firms as Sears and ITT participating in the corporate trade-payment system, bankers can expect such merchandising-oriented firms will not be reluctant to further expand their computer billing and payment systems.

Community bankers are to be congratulated for joining the payment networks in such large numbers in the last year or so. The tremendous reduction in cost of computer-based payment systems means they now are within the financial reasonableness of even modest-sized community banks. • •

• **Judith A. Walter** has been named deputy comptroller for operations for the Office of the Comptroller of the Currency. She joined the OCC in 1979 and had been director for strategic planning since 1981.

• Index to Advertisers •

By Dr. LEWIS E. DAVIDS
Professor of Finance
Southern Illinois University, Carbondale

The Evolving Corporate Trade-Payment System

SOME corporate giants — such as ITT, Westinghouse, Sears and Exxon — are testing the improved corporate trade-payment system. Improvements include new technology and equipment and more facilitative rules from the National Automated Clearinghouse Association and the Federal Reserve.

Until now, the typical community bank has made relatively modest use of automated clearing houses (ACHs). But it should be noted that the two major wire systems have a daily average ACH volume in excess of $500 billion.

ACH systems once were used exclusively by commercial banks, but other large financial institutions gained access. Later, as more treasurers of major firms established computer link-ups with their lead banks for deposit consolidation, it became apparent that they could keep track of their bank balances on a collective basis. This is done by a minute-to-minute review of their bank-linked computers, which, in turn, are linked to the ACH.

While collected balances were informative, it was obvious that the potential of ACHs simply was only being scratched. Partly related to this was the recognition of cost trends — paper, stamps, envelopes — and the needless duplication of human effort.

An equally powerful reason was the dramatic decrease in the cost of electronic-data-transmission use. The simple fact of costs for paper transactions increasing and electronic transactions decreasing accelerated pressure to substitute labor-intensive transactions for those that were more capital intensive.

To this should be added an important element: pressure on the Fed to reduce float. By blotting up float, the Fed has struck an important blow against paper transactions. Revising its deferred-availability schedule and hours of settlement has alienated some correspondent bankers, but, on the whole, progress toward a more efficient clearing mechanism has resulted.

Another development has been the slow-but-sure growth of the debit card. In an indirect way, the debit card has changed the mind-set of both debtors and creditors. As bankers and the public became more conversant with debit and credit cards and as ATMs offered more on-line capability, other changes emerged. For example: A line of credit tied to a debit card made that card a hybrid and expanded its use potential.

"Community bankers are to be congratulated for joining the payment networks in such large numbers in the last year or so. The tremendous reduction in cost of computer-based payment systems means they now are within the financial reasonableness of even modest-sized community banks."

While the U. S. has lagged considerably behind Europe in implementation of the "smart chip" card, it looks as though the U. S. telephone system will be more likely to move aggressively in this area than can commercial banks and their ACHs.

While the "smart chip" is perceived as being more of a retail funds-remission technique, the corporate trade-payment system may be viewed as a wholesale operation. Because there are relatively fewer corporations that will utilize the corporate trade-payment system, the system can be made more sophisticated. So far, corporations have concentrated on payment of company bills and switching of funds among their various depositories and their branch offices. Under the corporate trade-payment system, a great deal more information can be included than is found on a typical check being processed through an ACH. The amount of information is limited only by the corporations participating in the corporate trade-payment system.

One possibility is a radical change in prevailing trade terms. We all are familiar with trade discounts such as "2/10, net 30." Such a trade discount is predicated on mailing of invoices, with the debtor making a payment within a discount "window." Europe and Japan have had more experience with Giro payment systems, in which the creditor — not the debtor — originates payment implementation.

It can be generalized that probably more than 80% of payments are periodical in nature, either weekly, monthly, quarterly or semiannually. Thus, better than four out of five transactions, being repetitious, are predictable in a number of areas, although possibly not in dollar amount. In a similar context, it can be said that those repetitious payments, by and large, are "clean." That is, they don't include or result in overdrafts or nonsufficient-fund returns.

These payments typically are between creditors and debtors whose integrity and credit-worthiness are not suspect. Thus, less risk is involved and, as a concomitant, some discount is in order.

As the corporate trade-payment system evolves among major corporations, it is likely that, with time, smaller businesses will join the system and holders of credit and debit cards will be brought into the picture.

In one sense, we have had paper-payment systems involving the Giro system for at least 30 years in the U. S.

(Continued on page 61)

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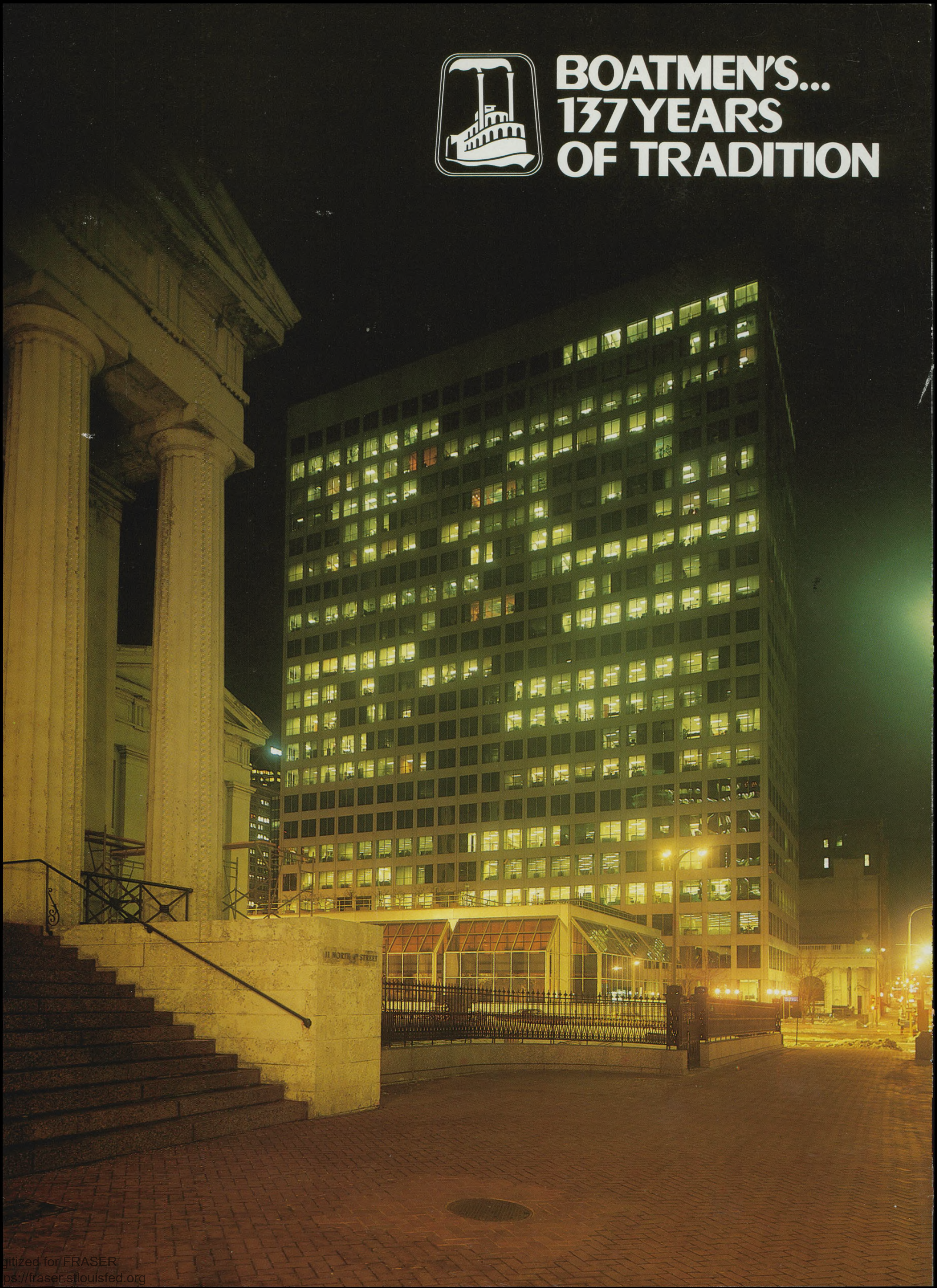
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