

NORTHWESTERN *Banker*

OCTOBER
1988



New Officers for Iowa Bankers Association

Special Ag Section:

- Des Moines to Host ABA Ag Bankers Conference
 - 10 Features of Agriculture in the Year 2000
 - CEO of Failed Bank Reflects on the Basics
 - Historic Charts Portray Ag Economy
 - Banking on Farmer Mac

Leveraged Buyouts
—Dr. Douglas V. Austin

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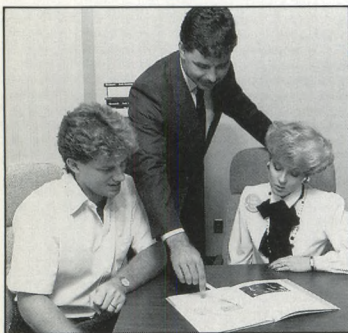


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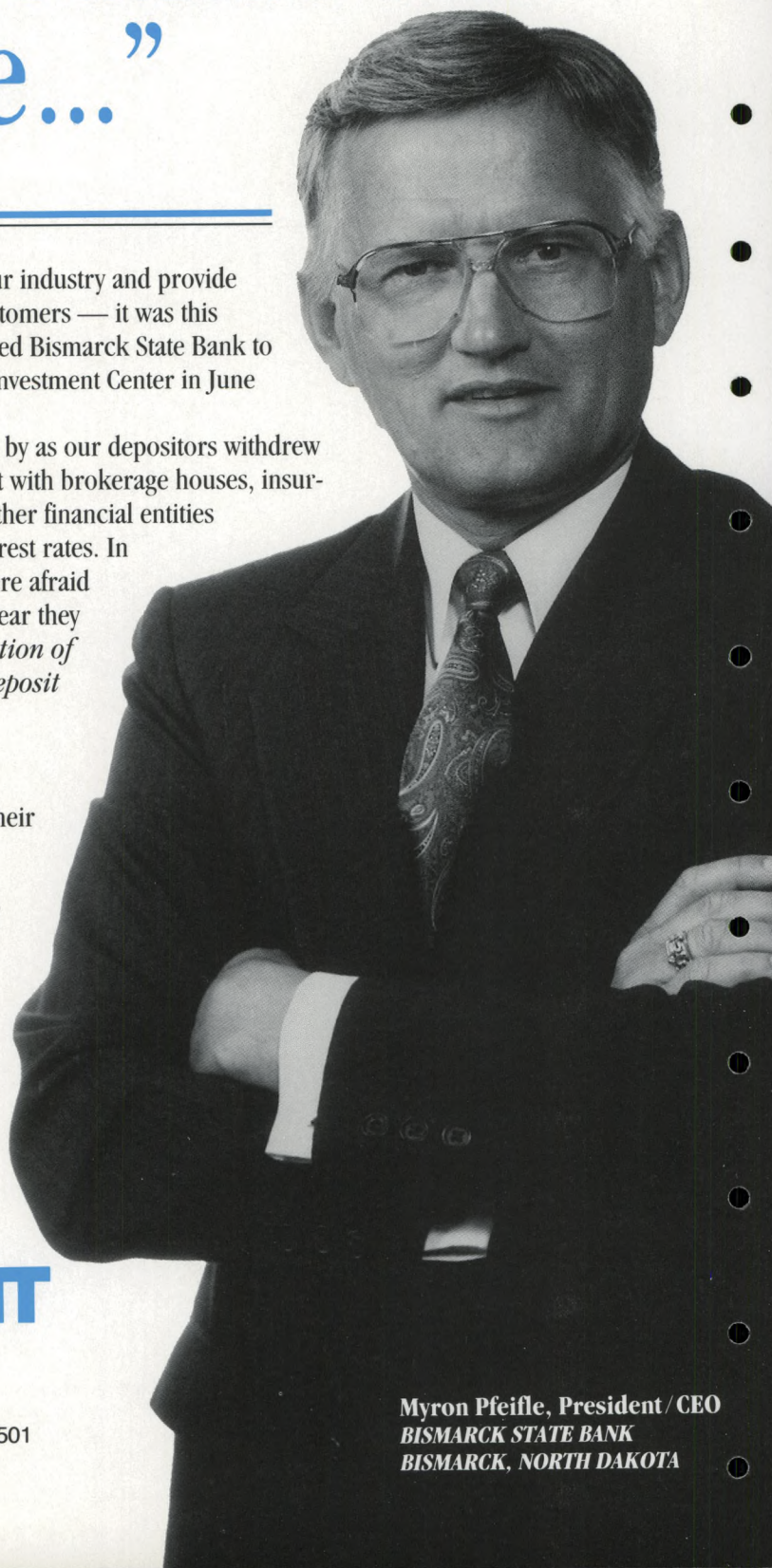
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ON THE COVER

Officers of the Iowa Bankers Association for 1988-89 are pictured on the front cover of this issue. They are identified with the IBA convention report on page 51.

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New Regulatory Compliance Manual Issued by IBAA

The Independent Bankers Association of America has introduced a comprehensive new reference manual for bank regulatory compliance procedures.

The "IBAA Compliance Deskbook," designed especially for community banks, covers all aspects of regulatory compliance and is packaged in an easy-to-read, easy-to-use format. Among the regulations covered are:

- The Expedited Funds Availability Act and Regulation CC;
- Truth in Lending — Regulation Z;
- The Bank Secrecy Act;
- Insider Lending — Regulation O;
- The Electronic Funds Transfer Act — Regulation E; and
- The Community Reinvestment Act — Regulation BB.

Special Compliance Action Plans at the end of key chapters help guide bank officers through the regulatory compliance process.

Low-cost updates to the "IBAA Compliance Deskbook" will also be provided as bank regulatory changes occur.

The price of the "IBAA Compliance Deskbook" is \$95 for association members. For nonmembers the price is \$195. Banks purchasing two or more copies receive a 15 percent discount.

Copies can be ordered by writing to IBAA, P.O. Box 267, Sauk Centre, MN 56378, or by calling 1-800-IBA-SAUK.

First Wisconsin Expands With Purchase in Arizona

First Wisconsin Corporation, Milwaukee, Wis., recently announced plans to make its first bank acquisition in Arizona in a move aimed at enhancing services to First Wisconsin trust customers in the Southwest. It will purchase Metro Bancorp, Incorporated, a \$70.3 million one-bank holding company, which owns Metropolitan Bank headquartered in Phoenix. Terms of the transaction were not disclosed.

First Wisconsin Corporation opened its first out-of-state trust office in Florida last year and the growth of that office has exceeded projections. The trust department of the newly acquired bank will be supported by accounting, investment, marketing and a wide range of other services provided by units of First Wisconsin Corporation.

BICS Installs Unique Computerized Recovery System to Avert Disaster

BANKS of Iowa Computer Services (BICS), Cedar Rapids, Ia., a regional banking service bureau, has installed a unique computerized disaster recovery system that reduces the amount of time customers in six states are without data processing services in the event of a disaster.

According to BICS President and Chief Executive Officer Brian Scott, "contingency planning has been a key function in the banking industry for many years, but as more and more computers are used to speed banking operations, the need for speed in the disaster recovery process has also increased."

BICS processes electronic banking transactions for 14 Banks of Iowa banks and 50 other banks in Iowa and five other states.

These transactions include deposits and withdrawals made to and from more than 200 automated teller machines (ATMs), and point-of-sale terminals. Entries can include mortgage, commercial and installment loan payments, and the savings, checking, and general ledger transactions entered in about 1,800 computer terminals.

Large Volumes Handled

In addition, BICS handles the day-to-day transactions of its affiliate banks and their correspondents for a daily average volume of about 1,000,000 transactions.

According to Mr. Scott, BICS business volume equates to that of a bank with assets of more than \$6.0 billion, serving more than 200 locations and over 3,000,000 accounts.

All of this data — from the banks themselves and from ATMs — is transmitted to the BICS service center via private leased telephone lines connecting the various sites throughout the midwest.

Since there are many situations similar to this, banking officials have worked for years to devise systems to eliminate the chaos that could occur if a natural or man-made disaster rendered a service center like BICS inoperative. Repairs might take days or even weeks, so Mr. Scott says the goal of Banks of Iowa and BICS is to get their system operational as soon as possible — measured in hours and minutes.

Service Loss Intolerable

According to Mr. Scott, "the extended loss of banking services to consumers served by any major financial institution using BICS services is just not acceptable for obvious reasons. Every care must be taken first to avoid man-made disasters, and second to recover quickly from natural disasters."

"Furthermore, the courts are now holding banks and individual directors of banks liable for losses caused by negligence — including failure to have

appropriate plans in place to handle the losses incurred as a result of data processing failure," he added.

Comptroller Requires Plan

A recent directive from the federal office of the Controller of Currency makes it clear that banks must have plans for handling disasters that go beyond traditional magnetic tape backups of daily transactions, an emergency source of electrical power and an occasional simulated disaster test.

To comply with Federal regulations, banks and bank service centers like BICS now must be able to return virtually every area of a bank that relies on electronic data and information to almost full operating capacity — and do it quickly.

In spite of the regulations, *Computers In Banking* magazine surveyed banks last year and found that 30 percent had no disaster recovery plan. And, of those banks which did have a plan, only 28 percent said they thought their plans would work.

US WEST Provides System

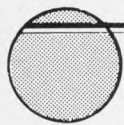
The BICS disaster recovery system relies on a network configuration service from US WEST Communications (formerly Northwestern Bell) to make it work. The service called "Command A Link" provides the electronic where-withal to quickly — if not instantaneously — reconfigure the complex web of data transmission lines that make up the BICS service network.

Lynn Gipple, US WEST Communications spokesperson, says that Command A Link is "similar to a computerized railroad stationmaster who, when a bridge is out or traffic backed up, reroutes trains on an alternate line."

"In the case of BICS, data transmissions from, say, Council Bluffs or Des Moines are routed through Command A Link at the US WEST Communications headquarters in Des Moines and then routed to another Command A Link center in the Cedar Rapids US WEST Communications offices."

"At the same time, data from Davenport or Sioux City might be coming directly to the Cedar Rapids US WEST Communications office. All of the data entering the Cedar Rapids facility is then routed to the BICS facility."

"But," Mr. Gipple says, "if a problem develops anywhere in the system, Command A Link is able to analyze available circuits and reroute the



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transmissions so they reach the BICS center with no break in service."

Additional Backup

In the event of a major disaster affecting the BICS services center, Command A Link can be operated 'off site' by BICS personnel.

Depending on the magnitude of the disaster, the BICS disaster recovery system might also use the specialized facilities and services of COMDISCO Disaster Recovery Services, Inc. of Rosemont, Ill.

COMDISCO is the largest organization in the United States dedicated to providing emergency and contingency data processing services to companies such as BICS.

Equipment at COMDISCO's Rosemont headquarters — or at any of seven remote facilities — duplicates the data processing setup at BICS. "All we have to do," Mr. Scott says, "is tell Command A Link to send information that normally comes to Cedar Rapids to Chicago instead."

"It only takes a matter of minutes — a few hours at the most — for the entire BICS system to be up and running in Rosemont. Our customers might not even know there was a problem."

Only System in Iowa

The arrangement between BICS, US WEST Communications and COMDISCO is the only such disaster recovery program now operating in Iowa. According to Mr. Scott, it's also unusual because the Command A Link portion of the network is in daily operation and is, itself, backed up by having similar systems both in Cedar Rapids and Des Moines.

Mr. Scott says, "Because the US WEST Communications Command A Link system is handling many routine operations on a day-to-day basis, we don't have to worry that we've installed a piece of equipment that sits idle most of the time, works fine during occasional tests, and then fails in a crunch. We know, because we're using it every day, that it won't fail when we need it the most."

The new disaster recovery system was a significant expense for BICS, "But," Mr. Scott says, "these costs are minimal when you consider the risk of a major computer disaster — millions of dollars in daily transactions carried out by Banks of Iowa and other banks, businesses and the millions of individual customers we serve." □

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Get acquainted with LaSalle's Correspondent Bankers. Call Wayne Bismark or Del Rogers at (312) 443-2769. Wayne, Del and the LaSalle Correspondent Banking team will give you unbeatable support — with better service, better products and better ideas.

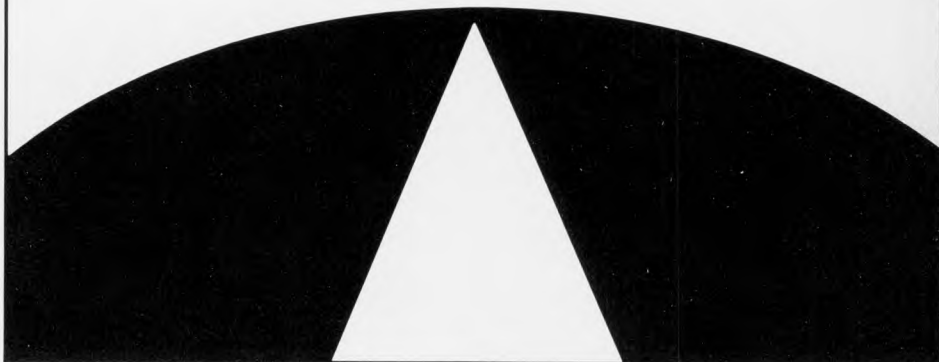
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RMA Offers New Training

AFTER years of research and planning, Robert Morris Associates recently launched MENTOR, a new and unique training program designed to meet the needs of commercial lending professionals at all levels.

RMA is the national association of bank loan and credit officers.

According to 1987-88 National RMA President William H. Sayre, the MENTOR program was developed in response to the ever-increasing training needs of RMA's 3,100 member financial institutions nationwide. "The primary purpose of RMA is service to commercial lending and credit professionals. And a major part of this commitment is training—from entry level through senior management," Mr. Sayre noted. He is executive vice president, Fidelcor, Inc. and Fidelity Bank, Philadelphia.

Mr. Sayre said the MENTOR training system was designed to meet two key attributes of today's bank training environment. One, the training needs of banks and thrifts have become increasingly complex and, two, the training marketplace has grown more sophisticated. "The MENTOR concept is revolutionary in that it is extremely comprehensive while being totally flexible," he explained. "This is what our members have told us they want and need.

"For example," Mr. Sayre continued, "a banking organization can

utilize the entire MENTOR program to provide consistent training for all of its commercial lending relationship managers and credit support people, regardless of their location within the organization. As interstate banking becomes more of a reality, this consistency will become a more valuable asset to an organization.

"But MENTOR can be just as effective when used in a more selective manner," he added. "For example, banking training officers can select a single course—or several courses—to fill specific bank training needs from any or all of the three MENTOR tracks."

Three MENTOR "Tracks"

RMA's MENTOR program is composed of three tracks: analytical, lending and management. The *analytical* track focuses on basic commercial banking skills: financial accounting, financial analysis, loan documentation and professional communication.

The *lending* track covers advanced credit analysis, advanced lending and corporate finance, and sales techniques for commercial lending.

The *management* track gets into the areas of sales management, decision-making, human resources, current management issues, and similar topics of interest to senior-level commercial lenders.

Clarence R. Reed, RMA's executive vice president, stressed that

freedom of choice and flexibility are at the heart of RMA's MENTOR program. "MENTOR can be used to supplement programs already being run by a bank. Or it can be used as the foundation for a bank's entire commercial training program," he said. Mr. Reed also noted that there are no long-term commitments or contracts associated with the MENTOR program.

Since no two banks have exactly the same training requirements, RMA is offering many of the MENTOR courses in three flexible formats:

1. In-bank training, taught and administered by RMA;
2. Open-enrollment, sponsored nationally by RMA and offered at the local level by RMA's chapters and groups, or subchapters.
3. Taught and administered directly by a bank using materials purchased from RMA.

Each course is developed by experienced education and training consultants under RMA's direct supervision. Before it can become part of the MENTOR program, each course is again reviewed by active banking practitioners, tested, evaluated, and revised to ensure that it meets its objectives and banks' training needs.

The final result is a sequence of courses that cover the essential skills commercial loan and credit officers must have to make a positive contribution to their bank's bottom line.

A number of MENTOR courses are available now; most of them contain pre- and post-tests. Others currently are being developed. Those available now are

- Financial Accounting
- Business Writing for Bankers
- Using Credit Information in Risk Assessment
- Commercial Loan Documentation (available 9/1/88)
- Uniform Credit Analysis
- Advanced Lending and Corporate Finance (available 9/12/88)
- Sales Techniques for Commercial Lenders
- Sales Management for Commercial Lenders

For more information about MENTOR, and to learn more about the courses currently available, contact RMA's Account Manager, c/o the RMA National Office in Philadelphia, (215) 665-2810.



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Across The Desk from the Publisher

Dear Readers:

We announced in the September 26 issue of our *Weekly Newsletter* that the "Northwestern Banker Is Being Sold," an announcement that was made by me with greatly mixed emotions. This October, 1988 issue of the *NORTHWESTERN BANKER* will conclude my 43-year career with this publication, a span of more than four decades in one industry, with one company. These years have been a genuine blessing for me because they have afforded me the opportunity to work in the publishing field that I love, with all of you for whom I have the greatest respect and admiration, and the added opportunity for my wife, Peggy, and me to develop the deep and life-long friendships we enjoy with so many of you.

Now, it's time for this 69-year-old publisher to leave behind the grueling 64 deadlines a year that must be met with our magazine and newsletter, and to look ahead to more personal projects that have been my goal for some years—three small books of a personal nature that won't mean anything to anyone else except, hopefully, family members, and some important church work to which I'd like to give the more solid effort it deserves. As all of you know from your demanding day-to-day work schedules, one cannot climb these personal mountains without properly disposing of the responsibilities that brought us to this point.

* * *

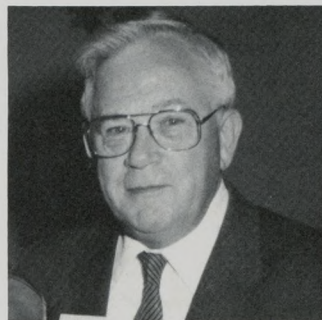
With that in mind, we have concluded arrangements to sell the *NORTHWESTERN BANKER* to Paul Blackburn of Minneapolis. Paul is president and owner of Financial Communications, Inc., which owns *Commercial West* weekly publication, of which he is publisher. He is also publisher of the *Commercial West Bank Directory*. This sale to Paul Blackburn also will include our *Weekly Newsletter* and the Iowa and Nebraska Bank Directories.

Paul Blackburn is a native of Jefferson, Ia., where he was born July 13, 1948. He was graduated from the Drake University College of Journalism in Des Moines in 1972, and then moved to Minneapolis/St. Paul where he had a successful career in marketing with several business firms. His most recent position before purchasing *Commercial West* in 1987 was a seven-year stint as director of marketing services for Deluxe Check Printers, Inc., at its national headquarters in St. Paul.

We think this sale is a very positive step for it will combine the 94-year-old strength of the *NORTHWESTERN BANKER* in its ten-state area with the nearly 90 years of similar readership enjoyed by *Commercial West* in its area, that in some states overlaps with ours. In this day when so many challenging changes are occurring within the financial industry, this combination of two well-known banking publications in the upper midwest will afford the opportunity to give our readers broader, more in-depth coverage of the fast-moving financial news. At the same time, the younger staffs on both publications can combine to bring our several thousands of readers the personalized news

that has been our trademark for nearly a century. Feature articles and surveys that address the opportunities, the problems and the personalities that are of interest to you bankers on the daily firing line will continue to be a hallmark of the merged publications.

Paul Blackburn has announced that he will drop the *Commercial West* name, since it represents the desire of the early owners to serve the news interests of all lines of commerce and industry in its territory. He will retain the *NORTHWESTERN* part of our name to identify the broad territory he wishes to serve, and the magazine's full, new name will be *NORTHWESTERN FINANCIAL REVIEW*. This will allow the magazine to encompass the broadening scope of the present financial industry.



Ben Haller, Jr.



Paul Blackburn

This merger will give the continuing magazine one of the best, if not *the* best, paid circulation figures in the nation among the regional banking publications. In addition to the states of Iowa, Nebraska, Minnesota, South Dakota, North Dakota, Montana, Wyoming, Colorado, Illinois and Wisconsin in which the two magazines circulate, Paul Blackburn recently added the state of Michigan. When he asked my advice recently about his opportunity to acquire the circulation of the *Michigan Investor* I urged him to do so. With this basis of states, *NORTHWESTERN FINANCIAL REVIEW* will serve the interests of commercial bankers in a significant number of states.

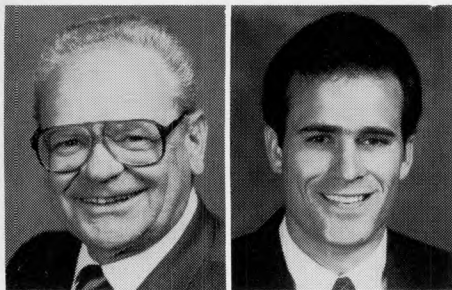
As it was with several other individuals and companies who expressed their desire to acquire the *NORTHWESTERN BANKER*, my concern other than the usual personal financial interest was two-fold: First to make sure that our long-time loyal readers would be well-served by the decision made, and second, that every effort would be made to accommodate our employees into the staff of the acquiring organization. I can honestly say, after visiting with Paul over the past several months and reviewing his well thought-out game plan for the future, that the continuing interests of our *Northwestern Banker* readers will be in good hands. In addition, all of our staff will join with Paul's staff to assure this continuity of service to you. Our Des Moines office will be retained where it is now located.

ACROSS THE DESK. . .

(Turn to page 70, please)

United Missouri Bank Makes Officer Promotions

United Missouri Bank of Kansas City, N.A. has announced the promotions of Jack E. Beets and J. Robert Hardin to the positions of senior vice president in the correspondent banking division.



J.E. BEETS

J.R. HARDIN

Mr. Beets services the correspondent banks in southeast Kansas. He joined United Missouri in 1947 as a clerk in the transit department and has held positions of assistant cashier, assistant vice president and vice president in correspondent banking. Mr. Beets has attended the Graduate School of Banking at the University of Wisconsin.

Mr. Hardin is responsible for bank customers in the metropolitan

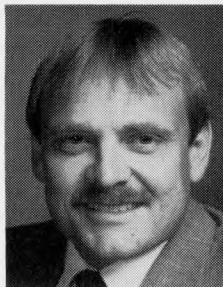
Kansas City area and sections of Kansas. He joined United Missouri in 1981 as an assistant vice president. He previously was associated with other local financial institutions. He holds a bachelor's degree in economics and finance from Avila College. He also has attended the Graduate School of Banking in Madison, Wis.

Also in the commercial banking division, James B. McLaughlin was elected to vice president and Todd E. Gaffney to commercial banking officer. Mr. McLaughlin develops and maintains commercial accounts through the Plaza location. Mr. Gaffney serves commercial customers in the metropolitan Kansas City area.

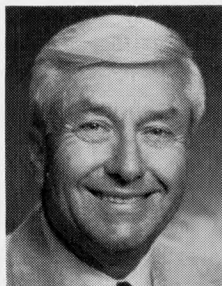
The following promotions have taken place in the trust department of UMB:

Donald P. Edinger, Allen Klopp and Mark P. Herman to senior vice presidents.

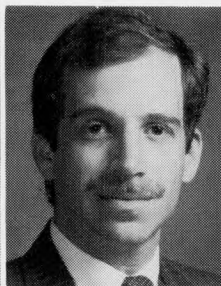
Mr. Edinger manages the personal trust and probate division, administering trusts and estates. He joined UM City Bank in 1978 and moved to UMB in 1983. Previ-



D.P. EDINGER



A. KLOPP



M.P. HERMAN

ously, he was a trust examiner for the State of Missouri. He holds a BA degree in Journalism and an LL.B. from the University of Missouri-Columbia.

Mr. Klopp manages the administrative area of the employee benefit plan services. He joined UMB in 1981 after 26 years in the U.S. Army, retiring as a Lt. Col. in 1975. He holds a BA degree in Business Administration from Northwest Missouri State University.

Mr. Herman manages the legal staff of employee benefit plan services. He has been with United Missouri since 1984. He has a BA degree from Vanderbilt University

and an LL.B. from Emory University.

Other trust appointments include:

Richard A. Caspermeyer to vice president, administering personal trusts and probate estates.

J. Michael Gulley to vice president, managing the investment data base.

Lou Ann Bradshaw to trust investment officer and Bruce Schmidt and Edward W. Williams to assistant trust investment officers.

Melanie Graham Alm to trust officer and Lorri B. Willms to assistant trust officer.

Nancy T. Reynolds to trust operations officer and Janet F. Clements to assistant trust officer in the security transfer department.

United Missouri Bank also announced these promotions in the Bankcard Division:

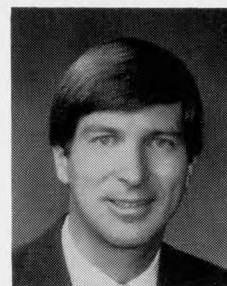
Thomas G. Dage to vice president and assistant manager, commercial development area.

Michael E. Henderson to assistant vice president and credit manager, and Claudia D. Farrell to assistant vice president and assistant operations division manager.

Laura L. Davis to assistant cashier, supervising the customer service department and managing the central records department.

Kelli S. Kimbrough to bankcard officer developing new MasterCard and Visa business in the metro area, and Matthew R. Vawter to bankcard officer, soliciting and servicing commercial businesses in the Midwest.

Rocky Mountain Bank Note Names New Vice President



L.A. DIETZ

Larry A. Dietz has been promoted to the post of vice president — general manager of the Computer Printed Products Division of Rocky Mountain Bank Note, Denver, Colo. The unit

prints installment loan coupon books, real estate mortgage books and credit line check books for financial institutions. In addition, Mr. Dietz serves as general manager of the company's Pueblo operations, which consists of commercial printing and office products sales.

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10th Edition of Dr. Harl's Planning Book Is Published

The 10th edition of Dr. Neil E. Harl's "Farm Estate & Business Planning," a valuable reference manual to farmers, accountants, lawyers, insurance agents and lenders, will be available Oct. 15.

More than 150,000 copies of this reference classic have been sold since the first printing in 1973. This edition features the latest changes in both federal and state laws and regulations affecting farms and farm estates.

Dr. Harl, a professor at Iowa State University, Ames, is nationally recognized for his expertise in economics and agricultural law. He is the author of more than 240 articles in legal and economic journals and more than 525 articles in various farm and financial publications. His advice is widely sought in government, legal and economic circles.

"The business of farming demands business planning," Harl says. "Estate planning is needed to avoid fragmentation and loss of capital."

Some of the new topics Dr. Harl covers in this 10th edition are compliance on government payment limitations, the tough corporate liquidation rules, revised rules governing employee benefit plans, handling Conservation Reserve Program payments, cancellation and forgiveness of installment payments, estate freezes and the impacts of bankruptcy.

The 400-page book, published in soft cover, may be ordered by sending \$24.95 to: Century Communications Inc., 6201 Howard St., Niles, Ill. 60648.

BMA Schedules National Meeting in San Francisco

Bank Marketing Association will hold its 1988 National Marketing Conference entitled "Gateway to the 90's: Your Bridge to the New World of Financial Marketing," Oct. 30 - Nov. 2 at the Hilton Square Hotel, San Francisco.

BMA expects more than 2,000 financial executives from across the country and around the globe to attend the world's most prestigious financial services marketing conference, now in its 73rd year.

Attendees will hear what it truly means to cope with difficulty and survive hardship when Charlie Plumb, an ex-POW of the Vietnam War, kicks off the conference. A native of Kansas

City, Mr. Plumb is a former Navy fighter pilot whose jet was shot down while flying a cover mission over North Vietnam in 1967. After his capture he spent six years locked in an eight-by-eight foot prison cell in Hanoi.

Mr. Plumb distinguished himself among fellow prisoners and was awarded the Purple Heart and the Silver Star. He is also the author of two books, *I'm No Hero* and *The Last Domino*.

Following Mr. Plumb, keynote speaker Martin L. Cohen, consultant, lecturer, psychiatrist, and chairman/

CEO of Cohen Brown Management Group, Los Angeles, will deliver a motivating presentation on meeting the challenges of the future.

BMA has tapped experts from within and outside bank marketing to speak at this year's conference.

Presentations and panel discussions will address a wide-ranging list of topics facing financial marketers.

And, for its 21st year, BMA will recognize financial institutions worldwide for the most outstanding achievements in marketing and corporate communications in its "Golden Coin Awards" competition.

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IBAA Asks Immediate Growth Limit on Insolvent Thrifts

The Independent Bankers Association of America has requested that the Federal Home Loan Bank Board enforce a growth limit for insolvent and undercapitalized savings and loans and to impose a cap on the interest rates they pay on deposits.

Such a move by the Bank Board, the regulator of the nation's thrift industry, "is urgently needed if the integrity of our financial system is to be maintained," IBAA President J.R. Nunn said in a letter to Bank Board Chairman Danny Wall.

Mr. Nunn applauded the efforts of Senate Banking Committee Chairman William Proxmire, D-Wis., and Rep. Jim Leach, R-Iowa, to address the problem of runaway insolvent thrifts in Congress. Congressman Leach gave details of his plan to impose such curbs on failing thrifts when he addressed the Iowa Independent Bankers at their annual convention in July at Lake Okoboji, Ia. It would require thrifts with negative figures to reduce their deposits on a formula basis tied to the extent of their statement figures, and would then allow modest to

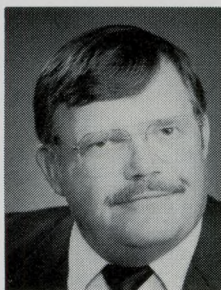
normal growth as thrifts regained strength into positive figures up to 6% equivalent capital.

Farmers Mutual Hail Announces Promotions

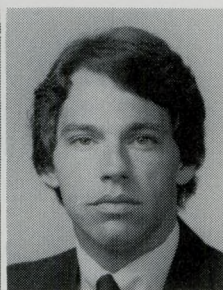
William A. (Bill) Rutledge, secretary of Farmers Mutual Hail Insurance Company of Iowa, Des Moines, has been elected senior vice president and manager of the reinsurance department. He will continue his duties as secretary of the firm.

Steven A. Rutledge, member of the board of directors of Farmers Mutual Hail, has been elected assistant vice president and assistant manager of the reinsurance department.

Founded in 1893, Farmers Mutual Hail Insurance Company of Iowa pro-



W.A. RUTLEDGE



S.A. RUTLEDGE

vides crop hail coverage in 13 mid-western states, poultry insurance in 32 states, and reinsurance internationally.

Bank Building Corp. Names New President and Chairman



R.M. SCOTT

The board of directors of Bank Building Corporation has elected a new president, Roger M. Scott, and a new chairman of the board, Carl J. Weis.

Mr. Scott succeeds Mr. Weis as president. Mr. Weis, who has held the position of president since 1976, and chief executive officer since 1983, will continue to serve as chief executive officer.

Mr. Scott most recently was general manager of the Reynolds Metal Company's Building Products Group in Richmond, Va. During 31 years with Reynolds, his responsibilities included sales, marketing, corporate planning and management.

Bank Building Corporation is a St. Louis-based design/ firm, specializing in the Unified Facilities Development process for financial institutions.

The firm is currently celebrating 75 years of service to the financial industry.

Northern Trust Names New Senior Vice President



R.B. STEBBINS

At its meeting last month, the board of directors of The Northern Trust Company, Chicago, approved the naming of Richard B. Stebbins as a senior vice president in corporate finance. Mr. Stebbins is responsible for coordinating Northern Trust's efforts in developing corporate finance, and expanding mergers and acquisitions and private placement activities in commercial banking.

Prior to joining Northern Trust, Mr. Stebbins was associated with First National Bank of Chicago, Kidder Peabody and most recently, with Merrill Lynch Capital Markets where he was managing director of its Midwest Financial Institutions Group.

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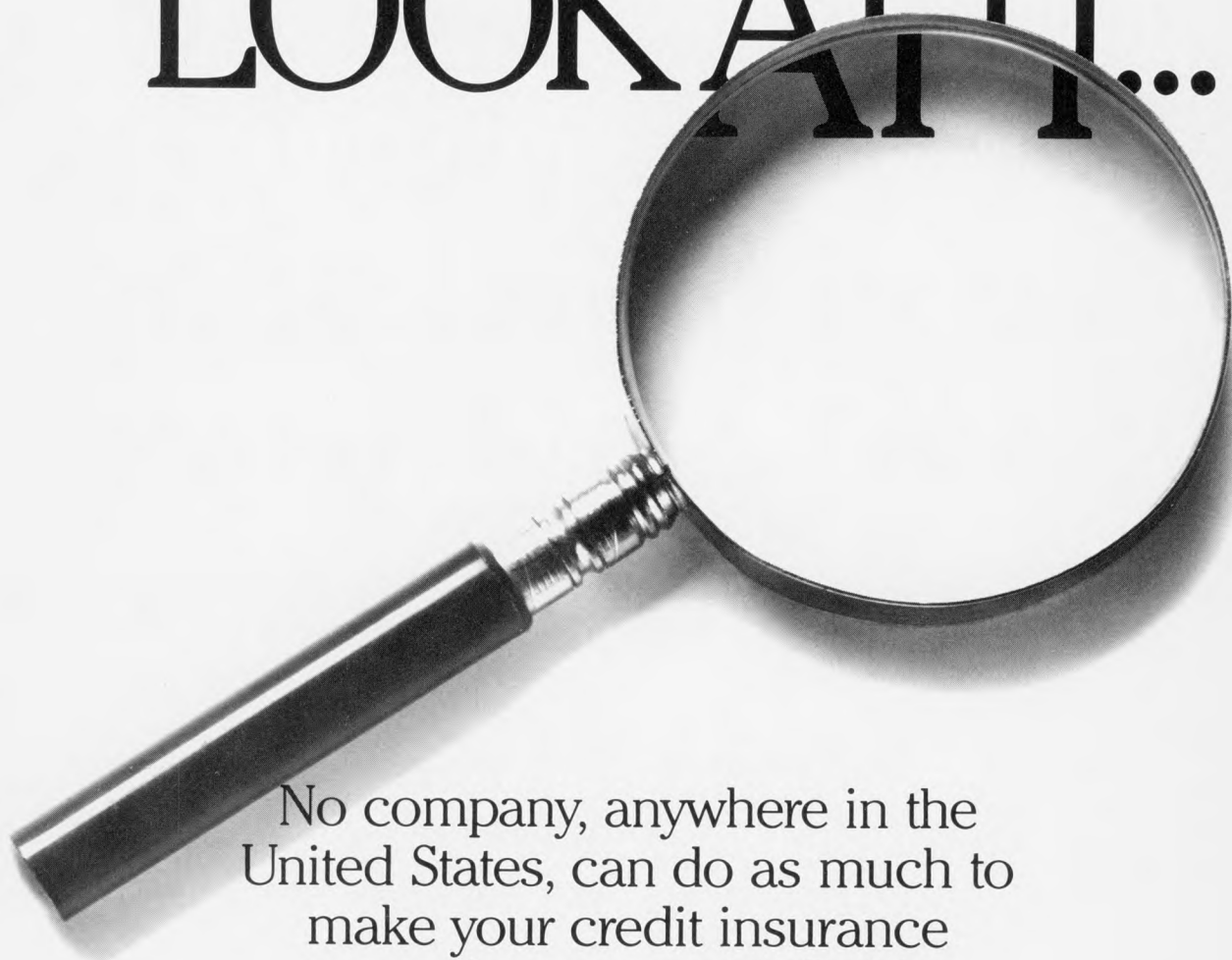
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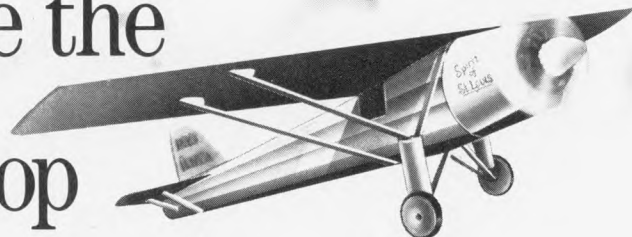
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Des Moines will host ABA Ag Bankers Conference

at the

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November 13-16

DES MOINES will be host to the 1988 American Bankers Association National Agricultural Bankers Conference, November 13-16, at the Marriott Hotel in downtown Des Moines. Between 750 and 1,000 bankers and spouses are expected to register for this important meeting.

Planning Committee Chairman Murray Lull, who is also president of the Smith County State Bank and Trust Company in Smith Center, Kan., stressed the central location of Des Moines in the heart of the midwestern farm states and its accessibility by auto travel from the entire upper and lower midwest area of the nation. This accessibility by the Interstate system and other major highways should encourage banks to capitalize on such low-cost transportation by registering two or three officers from each bank.

"This conference will help agricultural bankers devise the strategies they will need to meet any challenge in today's complex new era of ag banking," Mr. Lull said. He added, "It will give bankers valuable insight since experts bring the state of the industry to the conference."

Sessions will include the latest information on legislative, regulatory and USDA programs affecting crops for 1988 and 1989. In addition, ag bankers will learn the latest techniques for handling farm loans which may have to be rescheduled because of the dry weather.

The Iowa Bankers Association, through Executive Vice President Neil Milner and Senior Vice President Wes Ehrecke, have worked closely with ABA in scheduling the National Ag Bankers Conference into Des Moines. Mr. Ehrecke said there are a number of interesting points and dining/entertainment places in Des Moines for visitors (see accompanying story).

With the theme, "Your Untapped Potential," this year's conference will help agricultural bankers cultivate new business opportunities. For instance, sessions will include the latest information on the new Farmer Mac, the secondary market for agricultural mortgages and rural housing. Experts in secondary market finance will focus on how banks can benefit by participating as an originator, a pooler, or a purchaser of secondary market loans.

Other profit opportunity sessions will include:

- Fee Income: a positive approach to fee collection and the possibilities offered to banks under new laws;
- Farm Land Management: operational aspects of farmland management and how banks can market these services.
- Leasing: the operational aspects of leasing, staffing, marketing and decision making;

- Agri-business Lending: financing non-production agricultural business, the "typical" business operating and capital cycle, and pro forma information;
- Beating the Competition: the vital role customer service plays in a competitive market and how service quality must be nurtured if banks are to survive; and,
- Madison Avenue Moves to the Country: How one of the most successful marketing programs came about and how the producer groups were convinced to use it.

"In order to fully develop their untapped potential, bankers must weed out the competition, improve their customer base, refine their profit outlook and focus on expanded powers from Congress to offer new products and services," Mr. Lull said. "At this conference," he added, "bankers will gain the techniques and strategies they need to do just that."

Veteran farm broadcaster Orion Samuelson will offer his perspective on agriculture today, touching on subjects ranging from weather-affected crops to exportation of surplus crops. Mr. Samuelson is host of the "U.S. Farm Report," which is broadcast from WGN Radio, Chicago.

The registration fee is \$655 which is discounted to \$525 for ABA members. For more information, contact ABA's Banker Education Network at 202/663-5430 or write the Registration Coordinator, American Bankers Association, 1120 Connecticut Avenue, N.W., Washington, D.C. 20036. The program follows:

Sunday, November 13

A.M.

- 9:00 to Registration
- 7:30 p.m.
- 10:00- Musical Fellowship
- 11:00

P.M.

- 6:00 to Opening Reception
- 7:00

After the reception, enjoy a relaxing dinner at an area restaurant, or watch big-screen NFL football — Minnesota Vikings vs. Dallas Cowboys — at the Marriott

Monday, November 14

A.M.

- 7:00 to Registration
- 5:00 p.m.
- 7:30 Continental Breakfast
- 8:00 Opening General Session
- Welcome and Opening Remarks — Murray

Lull, 1988 Conference Chair and President, Smith County State Bank and Trust Company, Smith Center, Kans.

Welcome to Iowa—Honorable Terry E. Branstad, Governor (invited).

"National Perspective on Agriculture — The People's Viewpoint" — Orion Samuelson, Vice President, Agricultural Services Director, WGN Radio, Chicago, Ill.

"Domestic Agricultural Policy — What Should the Next Four Years Bring?" — Peter C. Myers, Deputy Secretary, of Agriculture, USDA (invited), Washington, D.C.

10:00 Coffee Break

10:30 General session continues.

"View From the Hill — The House Agriculture Committee Perspective" — A member of the House Ag Committee will bring you up to date on proposed changes in agricultural legislation and credit.

11:00 Concurrent Sessions

"Fee Income — Income for the Future" — William F. Staats, Professor of Banking, Louisiana State University, Baton Rouge, La.

"Farm Land Management — Earn Extra Dollars With Your Agricultural Expertise" — Gary P. Britt, Assistant Vice President, Sovran Bank, N.A., Richmond, Va.

"Leasing — Give Your Customers and Your Bank More Options" — Daniel J. Edinger, President, Telemark, Inc., Syracuse, N.Y.

"Agri-business Lending: Financing Opportunities for Banks"

Noon Luncheon with Guest Speaker: "World Trade Perspective — What's Up for Agriculture after GATT?" — Sen. Richard Lugar (R., Ind.).

P.M.

1:30 Morning concurrent sessions repeated.

2:30 Refreshment break.

3:00 General session continues.

"How Commodity Market Trends Will Affect You and Your Customers" — Wayne D. Purcell, Professor of Agricultural Economics, Vir-

ginia Polytechnic Institute and State University, Blacksburg, Va.

"The Legal and Regulatory Environment — Cautions, Concerns and Compliance"

Champagne Reception with Exhibitors

Reception hosted by Valley National Bank (one block from Marriott).

Tuesday, November 15

A.M.

7:00 to Registration.

5:00 p.m.

7:30 Continental Breakfast with Exhibitors.

Exhibit Hall Open.

8:30 General Session.

"Beating the Competition — It's Do or Die" — David M. Kohl, Professor, Virginia Polytechnic Institute and State University, Blacksburg, Va.

"Legislative Update — From the Halls of Congress to the Corridors of the USDA" — Floyd E. Stoner, ABA Manager, Community and Agricultural Banking, Government Relations, and Rusty Jesser, ABA Federal Legislative Representative.

10:30 Coffee Break with Exhibitors.

11:00 Concurrent Sessions.

"Establishing New Farmers" — Ms. Kelli Evans, President, National Future Farmers of America, Alexandria, Va.

"How Ag Bank Management Styles Differ — Or Do They?" — Sanford Belden, Managing Director, Minnesota First Bank, Minneapolis, Minn., and Jay Godwin, President, First State Bank of Canadian, Canadian, Tex.

"New Customers/Best Customers — How to Have Your Cake and Eat it Too!" — Mike Moebis, Chairman, Moebis Services, Wadsworth, Ill.

"FmHA Guaranteed Loans — The Secondary Market and the Claims Process" — Honorable Vance L. Clark, Administrator, Farmers Home Administration, USDA, Washington, D.C.

Spouses' Program

Sunday, November 13

P.M.

1:00 Musical fellowship service, Second Floor, Marriott Hotel.

2:00 Spouse Hospitality Center—Savery Hotel, Second Level.

3:00 Iowa's Antiques—Gwen Znerold, Savery Hotel, Des Moines Room.

4:00 Skywalk Walking Tour. Assemble Savery Hotel, Terrace Room.

7:00 NFL TV Game—Marriott, Third Level.

Monday, November 14

A.M.

7:30 Continental Breakfast—Savery Hotel, Second Level.

Tour buses leave Savery Hotel at Fourth Street entrance.

8:00 Amana Colonies—Nostalgic look backward at communal living, farming; quaint shops, foods, antiques.

9:00 Discover Des Moines—Civic Center, Botanical Center, Iowa State Capitol, Terrace Hill (Governor's Mansion), Hoyt Sherman House (1877 Victorian mansion) for luncheon.

P.M.

5:00 Exhibits/Champagne Opening Reception—Marriott, Third Level.

6:30 Reception—Valley National Bank, 6th & Walnut.

Tuesday, November 15

A.M.

8:00 "A Company Called You"—Savery Hotel, Terrace Room. Noted Iowa psychologist Dr. Charlene Bell will present dynamic session on lifestyles, stress and self-management.

9:45 "Surviving Stress"—Savery Hotel, Room 308. Dr. Gary Rosberg, well-known counselor and consultant in Des Moines, conducts class on preventing and dealing with stress.

9:45 Craft Session: Corn Husk Dolls—Savery Hotel, Des Moines Room.

9:45 Craft Session: Quilting—Savery Hotel, Iowa Room.

P.M.

12:30 "Food, Fun and Fashion"—Younkers Department Store Tea Room, 5th Floor.

5:15 Exhibit Hall Reception—Marriott, Third Level.

Wednesday, November 16

A.M. Hospitality Center opens.

10:00 Closing General Session—Marriott, Second Level. □



Dining, Shopping Touring Guide

BANKERS and spouses attending the ABA National Agricultural Credit Conference in Des Moines will have a wide range of interesting tours, dining places, and downtown and area shopping stores and malls. The following is by no means a complete list, but it represents some of the many places enjoyed by visitors and residents alike. The downtown enclosed skywalk system links all major buildings in the event of inclement weather. The telephone area code for the Des Moines and central Iowa area is 515:

Points of Interest:

- Living History Farms, 2600 N.W. 111 St., Urbandale, 278-5286. A working farm showing Indian life, farming in 1800s with animals, and farming with early steam power. Features 1880s town of Walnut Hill, including bank, mercantile stores, professional offices, church, blacksmith shop. Tours available. Admission charged.
- Iowa State University, 35 miles north of Des Moines. Includes Ag College with extensive farms and livestock; College of Veterinary Medicine; Bio-Tech Center.
- Pioneer Hi-Bred International, Inc. world headquarters, Johnston (northwest Des Moines), 270-3497.
- State of Iowa Capitol Bldg. Tours daily.
- State of Iowa new Historical Bldg., East 6th & Locust.
- Court Avenue in downtown Des Moines. Numerous office buildings, restaurants and shops restored to early Des Moines architecture.
- Valley Junction (West Des Moines). Two blocks of antique shops, boutiques, ladies' specialty shops, The Dublin Door (authentic Irish goods and clothing), old-fashioned ice cream parlor. Iowa's finest antique area.
- Terrace Hill — Governor's Mansion, 2300 Grand Ave. A classic English-style architectural showpiece; five minutes from center of downtown. For tour information call 281-3604.

Restaurants/Lounges:

Downtown Clubs

If you are a member of a business club in your city, you may already have reciprocal privileges with the three downtown private business clubs that are open for lunch and dinner (closed Sunday). Call for reservations to:

- Bohemian Club, Capital Square Bldg. ground floor, 4th & Locust, 288-5748.
- Des Moines Club, Ruan Center, 606 Grand Ave., top floor, 244-2177.
- Embassy Club, Financial Center, 666 Walnut St., top floor, 243-0502.

Downtown Restaurants

- Guido's Restaurant, main floor Savery Hotel, 4th & Locust, 284-1272. Elegant dining.
- Allies Restaurant and Quenelles Restaurant, Marriott Hotel, 7th & Locust, 245-5500.
- Kaplan Hat Co., 307 Court Ave., 243-1414. 1920's motif; casual to elegant dining.
- Spaghetti Works, 310 Court Ave., 243-2195. Italian and American menus. Informal.
- Babe's Restaurant and bar, 417-6th Ave., 244-8319. Italian and traditional. Informal.

Near Downtown

- The Imperial House Restaurant and Lounge, 1901 Ingersoll, 243-9649. Fine dining.
- Noah's Ark Restaurant and Lounge, 2400 Ingersoll, 288-2246. Informal.

Near Airport

- The Pier, 4555 Fleur Drive, 285-6996. Seafood, steaks, spirits.
- The Crystal Tree Restaurant and Lounge, 6111 Fleur Drive, 287-2032. Fine dining, varied menu, extensive salad bar.

Outlying Areas

- West Des Moines has several restaurants offering traditional and specialty menus, including Chinese restaurants and others. easily accessible in 12-15 minutes via Interstate 235 from downtown.
- The Greenbrier Restaurant and Bar, 5810 Merle Hay Rd. (north part of city), 253-0124. Excellent lounge, elegant dining.

Shopping:

Downtown Des Moines has extensive shops and boutiques in enclosed skywalk system, as well as:

- Younkers Department Store, 7th & Walnut.
- Madeline Shepard Ltd., 314-6th Ave. High-class traditional and high fashion clothes for women.
- J.C. Penney's Department Store, 500 Walnut St.

Outlying Areas

- The Silver Fox, 2725 Ingersoll Ave. High fashion.
- Dickinson's, 801 73rd St., West Des Moines (at 8th St. exit from I-235 in West Des Moines).
- Reichardt's Clothing, 847 42nd St. Fine apparel for men and women (off 42nd St. exit from 235 in Des Moines).
- Town and Country, 855 42nd St. Women's apparel (by Reichardt's).
- Valley West Mall, 35th & Westown Parkway, West Des Moines (35th St. exit from I-235 in West Des Moines, turn north).
- Merle Hay Mall, Merle Hay Road & Douglas.
- Southridge Mall, S.E. 14th & Army Post Road.

Children's Specialty Stores

Ideal for parents and grandparents!

- The Enchanted Cottage, 3811 Ingersoll.
- The Gingerbread Fashion House Ltd., 532 35th St.
- The Red Lollipop, 801 73rd St., West Des Moines (at 8th St. exit from I-235 in West Des Moines...by Dickinson's above). □

P.M.

12:15

Luncheon with Guest Speaker.
"View From the Hill — The Senate Agricultural Committee Perspective" — A member of the Senate Ag Committee.

1:30

Morning Concurrent Sessions Repeated.

2:30

Afternoon Concurrent Sessions.

"Japanese Agriculture — Jane A. Wittmeyer, Legislative Assistant for Idaho's Senator James McClure, Washington, D.C.

"Rural Development" — Honorable Roland R. Vatour, Under Secretary for Small Community and Rural Development, USDA Washington, D.C.

"Planning for the New Agriculture" — Sponsors of the *ABA Journal of Agricultural Lending*

"Commodity Presidents Panel"

2:45

Exhibit Hall open.

3:30

Refreshment break with exhibitors.

4:00

Afternoon con-current sessions repeated.

5:15

Exhibit Hall reception.

Wednesday, November 16

A.M.

7:00

Registration.

7:00

Exhibit Hall open.

7:00

Continental Breakfast with Exhibitors

7:30

Concurrent sessions.

"Siskel & Ebert — Thumbs Up or Thumbs Down on the Economy" — Dr. Barry L. Flinchbaugh, Extension State Leader, Kansas State University, Manhattan, Kans., and Mark A.

AG BANKERS CONFERENCE...

(Turn to page 30, please)

Historical charts portray American ag economy

By **BEN HALLER, JR.**
Publisher

MILLIONS of words have been written about the severity of the early-to-mid '80s farm recession and the steps taken by state and federal legislators, as well as lenders, to alleviate the terrible stress of that phenomenon on all participants in agriculture. In an effort to visualize various facets of ag production and the ag economy, we assembled these charts displaying data based on United States Department of Agriculture reports. They show historical trends for the number of farms, number of people on those farms, the size of farms, their production, gross and net income, and the volume of ag exports and imports.

Figures and charts do not provide a full story or complete answers, but the historical data in these charts do portray dramatically the statistics that underlie some of the problems experienced in this decade and the direction in which agriculture may be headed.

While the effect of the farm crunch was devastating to many farmers and their bankers and small town

merchants, it seems to be a culmination of an evolutionary process that has been taking place for more than 40 years; in fact, dating back to 1910. In the four decades following WWII we have seen a drastic change in the nation's social pattern. Among those changes has been a noticeable reduction in the numbers of people remaining on farms. As fewer young people remained on farms, and older farmers retired, the land was purchased in many cases by neighbors who expanded their size as technological advances made such expansion more feasible.

Into this 40-year evolutionary process of farm attrition, resulting in fewer farmers operating larger acreages, the adverse factors of spiraling input costs and high interest rates were injected by double digit inflation. Those farmers who were part of the land acquisition process at that time were hurt badly; many others were impacted by the adverse effects of high input costs even though they had little or no debt.

During that traumatic period, hundreds of farmers declared bankruptcy, sold off part of their land, or just gave up and sold out for whatever they could get. Agricultural lenders were hurt as well, with approximately

Table 1. Gross and net income from farming (including farm households), off-farm income, and total income of farm operator families, 5-year averages 1910-39, annual 1986.

Year	Gross income from farming ²	Production expenses	Operators' net farm income	Off-farm income of farm operator families ¹	Total income of farm operator families	Net farm income as percentage of-	
						Gross farm income	Total family income ¹
-----Million dollars-----						-----Percent-----	
1910-14	7,774	3,790	3,984	NA	NA	51.2	NA
1925-29	13,621	7,520	6,101	NA	NA	44.8	NA
1935-39	10,697	5,824	4,873	NA	NA	45.6	NA
1940	11,340	6,858	4,482	NA	NA	39.5	NA
1945	25,374	13,062	12,312	NA	NA	48.5	NA
1950	33,103	19,455	13,648	NA	NA	41.2	NA
1955	33,476	22,171	11,305	NA	NA	33.8	NA
1960	38,894	27,376	11,518	8,482	20,000	29.6	57.6
1965	46,549	33,650	12,899	12,727	25,626	27.7	50.3
1970	58,834	44,452	14,381	17,617	31,998	24.4	44.9
1975 ²	100,598	75,043	25,500	23,901	49,401	25.4	51.6
1980	149,300	133,100	16,100	34,700	50,800	10.8	31.7
1981	166,300	139,400	26,900	35,800	62,700	16.2	42.9
1982	163,600	140,000	23,600	36,400	60,000	14.4	39.3
1983	153,000	140,400	12,700	37,000	49,700	8.3	25.6
1984	174,800	142,700	32,200	38,300	70,500	18.4	45.7
1985	165,800	133,700	32,100	42,500	74,600	19.4	43.0
1986	159,539	122,052	37,487	44,708	82,195	23.5	45.6

Source: USDA statistical reports.

¹ Information not available prior to 1960

² Based on the 1974 Census of Agriculture definition of a farm, which is sales of \$1,000 or more and applies to 1975 and all following years.

Table 2. Total Population and Farm Population in United States

Year	Total Population ^{a/} (millions)	Farm Population (thousands)	Farm Population as Percent of Total (percent)
1950	151.3	23,048	15.2
1960	180.0	15,635	8.7
1965	193.7	12,363	6.4
1970	204.4	9,712	4.8
1975	216.0	8,864	4.2
1980	227.1	6,051	2.7
1981	230.1	5,790	2.6
1982	231.9	5,620	2.4
1983	234.2	5,787	2.5
1984	236.5	5,754	2.4
1985	238.7	5,355	2.2
1986	241.6	5,226	2.2

a/ Total population April 1 for U.S.

Sources: "Current Population Reports," Bureau of the Census, USDA.

Table 3. Farm Numbers and Average Acres Per Farm in U.S.

Year	Number of Farms (thousands)	Acres per Farm
1945	5,967	200.0*
1950	5,648	215.8
1955	4,654	258.0
1960	3,963	297.0
1965	3,356	340.0
1970	2,954	373.0
1975	2,521	420.0
1980	2,433	427.0
1981	2,434	424.9
1982	2,401	428.1
1983	2,370	432.1
1984	2,328	438.0
1985	2,275	446.0
1986	2,212	456.0
1987	2,176	461.0
1988*	2,159	463.0

*Estimated

Source: USDA.

five dozen upper midwest banks being declared insolvent and sold off to another bank or, in a limited number of cases, just liquidated. Climbing back has been a slow process for many.

An examination of the accompanying charts shows how we have arrived at a reduced farming force working larger acreages, producing more, yet seemingly earning less. Lower interest rates and lower production costs the past few years have escalated net income.

Yet, with all the terrible human tragedy and pain that accompanied the traumatic period of the ag recession of the 1980s, history will probably show that this period merely represented a condensation or "hurrying up" of the inexorable process of fewer farmers and bigger acreages per farm that has been going on throughout this century, especially in the past half-century.

The story cannot be told completely by charts, but the ones that accompany this article present some in-

teresting statistics that form part of the fabric of the historical trends in American agriculture.

In Table 1, for example, the 1986 gross income from farming of \$159.5 billion is 20.6 times greater than it was in 1910, 15 times greater than in the Depression period of the '30s, and about six times greater than at the end of WWII in 1945. However, this table shows, among other things, that *net* farm income as a percentage of *gross* income (last column) in 1910, 1935 and 1945 was consistently around the 50% mark . . . 51.2% in 1910, 45.6% in 1935 and back up to 48.5% in 1945. But from that modern-day high water mark of 1945, net farm income as a percentage of gross farm income has plunged almost continuously and was 23.5% in 1986. It was as low as 8.3% in 1983! In other words, while gross farm income in 1986 was 20.6 times greater than 1910, the *net* for 1986 was less than half of what it was in 1910 (23.5%) as shown in the last column. Table 1 also shows that farm production expenses in 1986

Table 4. Historical Summary: Value of U.S. Foreign Trade and Trade Balance, Calendar Years 1930-84

U.S. EXPORTS					U.S. IMPORTS ¹					TRADE BALANCE				
Year	Agricultural	Nonagricultural	Percent Total	Agri-cultural	Year	Agricultural	Nonagricultural	Percent Total	Agri-cultural	Year	Agricultural	Nonagricultural	Percent Total	Agri-cultural
	Million Dollars	Million Dollars	Million Dollars	Percent		Million Dollars	Million Dollars	Million Dollars	Percent		Million Dollars	Million Dollars	Million Dollars	
1930	1,201	2,580	3,781	32	1930	1,409	1,592	3,061	48	1930	-	268	+	720
1935	747	1,496	2,243	33	1935	1,072	967	2,039	53	1935	-	325	+	204
1940	517	3,417	3,934	13	1940	1,284	1,257	2,541	51	1940	-	767	+	1,393
1945	2,254	7,331	9,585	24	1945	1,709	2,389	4,098	42	1945	+	545	+	5,487
1950	2,873	7,269	10,142	28	1950	3,987	4,756	8,743	46	1950	-	1,114	+	1,399
1955	3,199	12,220	15,419	21	1955	3,971	7,366	11,337	35	1955	-	772	+	4,082
1960	4,832	15,543	20,375	24	1960	3,824	11,190	15,014	25	1960	+	1,008	+	5,361
1965	6,229	20,906	27,135	23	1965	4,087	17,196	21,283	19	1965	+	2,142	+	5,852
1970	7,259	35,331	42,590	17	1970	5,770	33,986	39,756	15	1970	+	1,489	+	2,834
1975	21,859	84,702	106,561	21	1975	9,293	87,638	96,931	10	1975	+	12,566	-	9,630
1980	41,233	184,333	225,566	18	1980	17,366	226,611	243,977	7	1980	+	23,867	-	18,411
1981	43,339	195,376	238,715	18	1981	16,772	242,240	259,012	6	1981	+	26,567	-	20,297
1982	36,627	179,815	216,442	17	1982	15,389	226,951	242,340	6	1982	+	21,238	-	25,898
1983	36,099	169,540	205,639	18	1983	16,627	240,053	256,680	7	1983	+	19,472	-	51,041
1984	37,804	186,172	223,976	17	1984	19,334	303,656	322,990	6	1984	+	18,470	-	99,014
1985	29,041	189,774	218,815	13	1985	19,968	323,585	343,553	6	1985	+	9,073	-	124,738
1986	26,222	200,586	226,808	12	1986	21,440	347,217	368,657	6	1986	+	4,782	-	141,849
1987	28,637	224,229	252,866	11	1987	20,398	381,668	402,066	5	1987	+	8,239	-	149,200

1/General imports prior to 1934: subsequently, imports for consumption.

were nearly ten times greater than what they were in 1945.

Table 2 shows that the United States population of 241.6 million in 1986 was 60% greater than the 1950 population of 151.3 million people. But, not surprisingly to those who have been close to the ag industry for many years, the nation's farm population decreased from 23.048 million people in 1950 to 5.226 million in 1986. Column three in Table 2 dramatizes this by showing that farm population in 1950 represented 15.2% of the nation's total population, while in 1986 the farm population had plummeted to only 2.2% of the total population—only one-seventh of what it was 36 years earlier!

Expressed another way, there was one farm person in 1950 for every 6.56 persons in the total population. By 1986 there was one farm person for every 46.2 persons in the total population. This statistic alone testifies to the great advances made in farming knowledge and technology, as well as the admirable productivity of the American farmer.

Table 3 offers additional evidence of a 40-year change in American agriculture. The number of farms dropped from 5,967,000 in 1945 to just 2,159,000 farms in 1988, a reduction to only 36.2% as many farms as there were 40 years ago. Similarly, the acres per farm have more than doubled from 200 acres in 1945 to 463 acres per farm today, or 2.3 times greater than in 1945. The USDA also records that the acres of land in farming in the nation drops about 5 million acres per year, mostly to urban sprawl, and in 1988 dropped to 998,692,000 acres, the first time ever below the billion acre mark.

(A USDA figure cited in the national news media in August, 1988, reported that the number of farms now has fallen below the 2 million mark.)

Table 4 displays the frustrating figures involved in the nation's exports, imports and troublesome negative trade balance. U.S. agricultural exports at the end of 1987 were \$28.637 billion, more than 38 times greater than the \$747 million in ag exports of 1935. Ag imports increased to \$20.398 billion at year-end 1987, leaving the U.S. with a positive ag trade balance of \$8.239 billion. However, non-ag imports had ballooned to \$381.668 billion by 1987, compared to non-ag exports that year of just \$224.229 billion, leaving the U.S. with a trade balance deficit in non-ag trade of minus \$157.439 billion. After subtracting the

Table 5. U.S. Corn Production
Source USDA—10/1-9/30

Year	Bushels (billions)
1945	2.577
1950	2.764
1955	2.873
1960	3.907
1965	4.103
1970	4.152
1975	5.841
1980	6.639
1981	8.119
1982	8.235
1983	4.166*
1984	7.656
1985	8.877
1986	8.250
1987	7.064
1988	4.462 (9/1)

* PIK and drought

Table 6. U.S. Soybean Production—Source USDA

Year	Bushels (billions)
1945	(records not kept)
1950	(records not kept)
1955	.374
1960	.555
1965	.846
1970	1.127
1975	1.548
1980	1.798
1981	1.989
1982	2.190
1983	1.635
1984	1.861
1985	2.099
1986	1.940
1987	1.905
1988	1.472

Table 7. U.S. Com'l Hog Slaughter—Source USDA

Year	Million Head
1945	58.3
1955	74.2
1965	73.8
1975	68.7
1980	96.1
1981	91.6
1982	82.2
1983	87.6
1984	85.2
1985	84.5
1986	79.6
1987	81.1

Table 8. U.S. Com'l Cattle Slaughter—Source USDA

Year	Million Head
1945	20.8
1955	25.7
1965	32.3
1975	40.9
1980	33.8
1981	35.0
1982	35.8
1983	36.7
1984	37.6
1985	36.3
1986	37.3
1987	35.6

favorable ag trade balance of \$8.239 billion, that left the total trade balance for 1987 at \$149.2 billion, the eighth straight year in the red.

Tables 5 and 6 show the dramatic increases in corn and soybean production that produced the massive surpluses of recent years, as well as the dramatic effect on production of this year's nationwide drought. The surpluses that resulted from "fence row to fence row" planting in many areas have not only been moderated by the drought but also may be affected by the Conservation Reserve Program that has idled approximately 40 million acres of land, much of it basically untillable that had been pressed into service.

Tables 7 and 8 relate similar statistics for hog and beef cattle marketing over the past 40 years. □

IBAA Publishes Farmer Mac Booklet

The Independent Bankers Association of America has published a booklet outlining how Farmer Mac, the secondary market for agricultural real estate loans, will work and the importance of the upcoming stock subscription to capitalize it.

"Farmer Mac Facts" provides agricultural community banks information, in advance of the stock offering, about the upcoming stock issue and how they will be able to use Farmer Mac.

The booklet answers such questions as: Why is community bank represen-

tation on the Mortgage Corporation board of directors important? How is the Mortgage Corporation common stock structured? What are the Comptroller of the Currency, Federal Reserve Board, and the various individual states saying about bank purchase of stock?

Since the initial common stock offering for Farmer Mac will be issued for subscriptions in October, the information in "Farmer Mac Facts" is particularly important for agricultural community banks.

Farmer Mac's operations also are

reviewed. The bulletin describes a hypothetical business relationship between the First State Bank of Community, Iowa, (the loan originator) and the John Doe company (the loan pooler). An extensive question-and-answer section discusses how an agricultural bank may profit from using Farmer Mac and the ways that lending limits, bank reserves, supplemental lending to the farm borrower and other banking practices are affected.

Copies of "Farmer Mac Facts" are available by writing to the IBAA, P.O. Box 267, Sauk Centre, Minn. 56378, or by calling 1-800-IBA-SAUK. □



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Ten features likely to characterize agriculture in the year 2000

Written especially for
THE NORTHWESTERN BANKER
By **DR. NEIL E. HARL**
Charles F. Curtiss
Distinguished Professor
Iowa State University
Ames, Ia.



Editor's Note: Dr. Harl is a nationally-known expert in the areas of agricultural economics and law. He is widely sought after as a speaker and writer on these subjects and has been called upon many times to advise or testify before Congressional committees. Recently, he presented a fact-filled, half-day seminar as the opening morning session for the 1988 Ag Credit Conference hosted by the Nebraska Bankers Association in Lincoln. At that time, he gave a penetrating assessment of United States and world agriculture in the year 2000 and beyond—"That's only 12 years away!" he stated. After the meeting, he agreed to prepare this special summary.

1. The family farm structure will continue to be the predominant structural feature. As the problem of too much debt concentrated in too few hands recedes in importance in the 1990s, and the problem of global overproduction comes to dominate agricultural policy to an even greater degree than in the 1980s, pressure on farm earnings will discourage outside investment in agriculture, particularly in grain and oilseeds production, with family farms that subsist on reduced rations surviving.

2. Average farm size will continue to increase with application of technologies already known and with additional technologies expected to emerge in the 1990s that boost average farm size.

3. Farmland values are expected to be only modestly higher in real terms (adjusted for inflation) because of pressure to adjust excess resources out of agriculture attributable to the capacity to overproduce on a global basis.

4. Farm income is expected to be under continuing

pressure in the year 2000, again because of the capacity to overproduce and because additional technology is likely to be introduced that is output-increasing or cost-decreasing or both.

5. Government intervention in U.S. agriculture is expected to recede from 1988 levels and to provide less buoyancy to farm income in the year 2000.

6. With government intervention receding, the acreage of intertilled crops is expected to rise modestly as some cropland shifts to grazing or other uses and the use of land substitutes for manufactured inputs. The amount of idled acreage is expected to decline with some cropland shifting to grazing.

7. International-level competition in agricultural products is expected to be intense as other countries gradually reduce the level of insulation of their farms from competitive forces on a global basis.

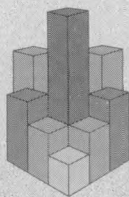
8. Input suppliers are expected to remain under continuing pressure as economic and environmental forces combine to reduce modestly the level of usage of manufactured imports.

9. Concern about the impact of agricultural production on the environment is expected to intensify with curbs on the use of chemicals and commercial fertilizers in the interests of reducing groundwater pollution.

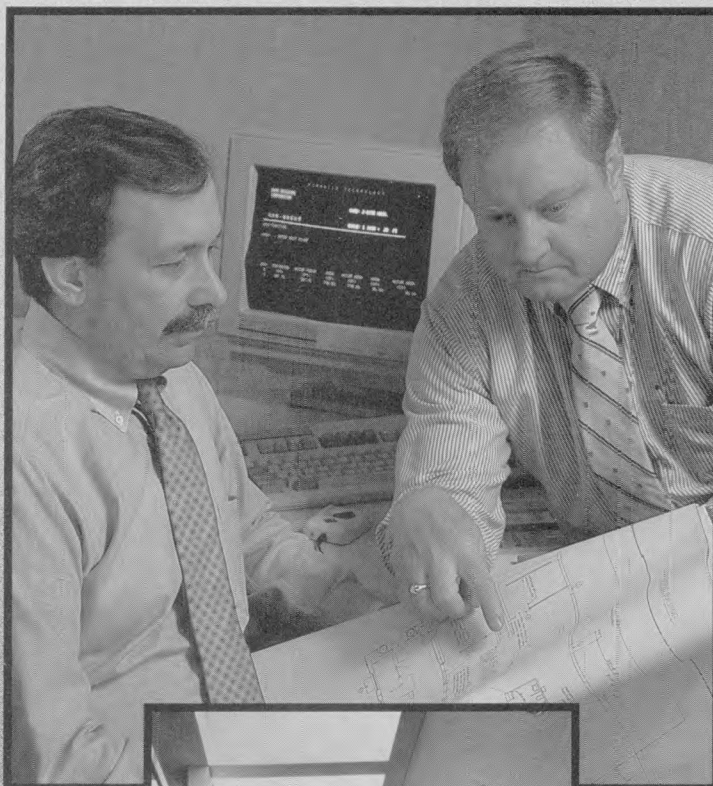
10. For rural communities relying upon agriculture as the principal economic activity, the level of economic vitality is expected to continue to decline through the end of the century. □

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(EDITORS NOTE: In addition to his duties at Farmers State Bank in Trimont, Les Peterson currently is working with a financial industry group chosen by the Farmer Mac Interim Board of Directors to develop underwriting standards for the secondary market for agricultural real estate and rural housing.)

THE SECONDARY MARKET for agricultural real estate and rural housing has the potential to change life for commercial banks. With that in mind, the American Bankers Association has been looking at this issue, working to see its achievement as a legislative objective, and now is intimately involved with developing the workings of this secondary market known as Farmer Mac.

I would like to note a bit of the history of the ABA's involvement in this process. In 1981, ABA cited the need for a source of fixed-rate credit for agricultural real estate. The alternative sources, primarily the Farm Credit System, were only providing variable rates for financing farmland. ABA formed a special Presidential Task Force which put together an inter-industry coalition that included the ABA, the Independent Bankers Association of America, and the American Council of Life Insurance. That coalition worked diligently from 1986 until January 6, 1988 (when the President signed Farmer Mac into law), to bring about this secondary market.

What's in Farmer Mac for Bankers

Now that Farmer Mac is law, what does it mean to a banker like me? Without such a secondary market, I cannot offer my farm customers fixed-rate loans to buy farms. The Farm Credit System is the primary lender for long-term loans to purchase real estate in my area and that credit is either shorter-term (much less than 30 years) or adjustable rate.

I come from Trimont, Minn., a community of about 1,000 people. My bank serves an agricultural area of about 30 miles in diameter. In the early 1980s I watched as land values fell from roughly \$4,000 per acre to about \$900 per acre.

The only credit available back then was adjustable-rate. There simply was no long-term, fixed-rate mortgage money to speak of. As a banker, I couldn't do much about it. I couldn't get into the business of making long-term loans, which meant I couldn't provide what my customers desperately needed.

The reason that other agricultural bankers and I could not offer long-term fixed rate loans, and still cannot today, is that our bank regulators, rightly, prohibited us from acquiring short-term funds (as we do through deposits) and lending them for long-term projects, such as buying farmland. It is clear from the problems that the S & Ls have today that a practice of borrowing short and lending long can lead to trouble if interest rates suddenly spike upward. With Farmer Mac as an alternative, I should be able to make long-term loans without facing the problem of holding them on my books and facing the risk of sharp swings in interest rates.

How the Market Will Work

Here's how a secondary market works: once I sell a loan to a pooler, he then packages it with other loans and sells it to an investor. The investor assumes the interest rate risk.

Investors are the ones who gamble on the movement of

Banking on

Farmer Mac



Written especially for
THE NORTHWESTERN BANKER
Les Peterson
President
Farmers State Bank
Trimont, Minn.

interest rates over a long period of time. They make their profit by anticipating successfully those movements and getting a return on their securities for taking that risk.

As a banker I continue to service the loan, so I get to make my relationship with my farm customer stronger on a long-term basis. Also, I get to offer a product to the farmer or rancher that he or she needs. I am another source of credit for agricultural real estate or for rural housing and, at the same time, I can offer long-term, fixed rates in many cases. I have eliminated the risk that farmer would have faced with a variable rate and I have eliminated the interest rate risk I would have faced if I kept the loan on my books.

Benefits for All Parties

Farmers face enough risk with volatile weather and volatile food prices. They do not need the additional interest rate risk that they now have with their variable rate loans. Farmer Mac can provide an alternative to those variable rate loans, thus reducing some of the volatility in agricultural finance.

There is also a benefit from competition. The very existence of Farmer Mac will increase competition and that should be good for the farmers, ranchers, and even bankers. I think Farmer Mac also will offer some marketing opportunities to agricultural banks which will, for the first time, be able to offer a full, broad package of real estate credit, short-term credit and an intermediate credit, and do all of that at competitive rates.

How Banks Will Participate

People ask how various-sized banks will participate in Farmer Mac. I believe that some small agricultural banks will originate loans. I do not expect that *all* ag banks will find it in their interest to participate; but those who have a solid base of farm customers and competent loan officers will find that they will be able to put together packages for their farm customers that will benefit those farmers and be a profit center for the bank.

For regional banks that have an interest in agriculture, they could both originate and pool loans if they are large enough to get the kind of geographic and crop diversity that will be required by the standards for pools of loans. Some money center banks will probably decide to become poolers and use their contacts with investors as a major tool in selling the Farmer Mac securities.

In Trimont, I plan to be an originator, perhaps to become a specialist in agricultural real estate and the secondary market. The other agricultural banks may decide they simply want to participate enough to satisfy their customers' demands. These banks may not want to develop the expertise for loan documentation in-house and I expect that some specialists will develop who can provide these things. But for any of us as originators, the goal is to be able to provide a complete package of financial services for our farm borrowers, including real estate financing.

“Secondary markets can reduce the cost of mortgages by as much as half to one percentage point from what they would have been for a similar product.”

Two Major Questions

Two questions that I am asked frequently are, “What will the cost be, and will Farmer Mac lower interest rates?” Traditionally, secondary markets have lowered interest rates over time. However, a fixed-rate mortgage in Farmer Mac cannot be compared to anything that now exists. Variable or adjustable rate mortgages will always be lower. Therefore, it is not clear to me how we can compare the cost of a secondary market that provides fixed rate mortgages to the cost of the variable rates that are now available.

In general, however, experts on this sort of thing estimate that secondary markets can reduce the cost of mortgages by as much as half to one percentage point from what they would have been for a similar product without the secondary market. But, I hasten to add, we really don't have much historical evidence or a reliable way of determining what the cost of mortgages under Farmer Mac will be at this point.

Pricing mechanisms won't be determined, in full, until after the underwriting standards are in place. Looking at the marketplace, the securities paper in this secondary market is going to have to be very, very good so that it can meet triple-A standards and so that the interest rates are beneficial to farmers. Again, using the housing residential markets as a model, we would expect that over time both the base can be broadened, which would mean accepting more average mortgages into the system, and that rates would come down.

Many of the details of Farmer Mac and what the secondary market offers agricultural banks of all sizes, will be discussed at ABA's National Agricultural Bankers Conference, November 13-16, in Des Moines. In fact, I will appear on one of the panel sessions on this subject during the conference.

A Number of Unknowns

In conclusion, I want to stress that I am both excited by the prospects for this secondary market and somewhat frightened by the enormity of the responsibility to partici-

FARMER MAC Interim Board of Directors

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*Nominated by President Reagan to permanent board.

Farmer Mac Chooses Financial Advisor, Underwriter

The interim board of directors of Farmer Mac has selected veteran Wall Street securities specialist Henry D. Edelman to serve as its financial consultant. Mr. Edelman serves as a first vice president with the New York securities firm Paine Webber.

Mr. Edelman will be responsible for getting Farmer Mac up and running as the first step in developing the secondary market for agricultural real estate and rural housing mortgage loans.

As his first project, Mr. Edelman assisted the interim board in its selection of the First Boston Corporation to be the lead underwriter for the first issuance of Farmer Mac voting stock. It is anticipated that the stock sale will take place during the autumn. Farmer Mac will raise at least \$20 million in the initial capitalization.

Mr. Edelman also will assist the interim board in organizing basic budget and accounting systems, legal oversight and administrative functions. In addition, he will act as liaison between the interim board and industry groups as they develop underwriting standards for the secondary market acceptance of agricultural real estate and rural housing mortgages.

Prior to joining Paine Webber two years ago, Mr. Edelman was an attorney and director of corporate finance for General Motors. He served a brief stint in the investment bank operation of Citibank. At Paine Webber he oversees federal government finance. His duties there include assisting the Small Business Administration and the Department of Housing and Urban Development in selling portions of their assets, which was part of President Reagan's government loan sales program.

pate in the development of it. We know so little about what is possible and we must make decisions today that are going to set up the framework that is being put in place to provide the benefits that I outlined earlier. There are just a great number of unknowns.

Pricing, loan documentation, appraisal standards, and just what kind of relationships will develop between borrowers, loan originators and poolers of these loans remains to be seen. So, as I have said, I am excited by the potential, and we have the model of housing secondary markets to inspire us. However, there is a lot of work to do and a lot of decisions that have yet to be made that will determine just how this market is going to work for all of us — for farmers, for ranchers and certainly for Les Peterson, here in Trimont, Minn. □

CEO of failed Iowa country bank reflects on the basics

Written especially for
THE NORTHWESTERN BANKER
By PAUL M. QUAM
Banker
Sigourney, Ia.

IN THE COURSE of the next few paragraphs, I would like to share with you several of the prominent considerations highlighting my association with the Hayesville Savings Bank over the course of the last several years. The expectations of this article are not that you will find any new secrets to prudent bank management, but rather an opportunity to revisit and appreciate basic banking concepts as they serve all banking institutions and, in particular, yours.

CAPITAL

The final act of closing the Hayesville Savings Bank was based on its lack of capital and the ramifications thereof.

Regulators are very interested in capital from several perspectives. Obviously, capital accounts represent the buffer between FDIC continuing to receive premiums from an institution and having a loss, or payout, upon the closing of the institution. One needs to remember constantly that FDIC is an insurance company, highly motivated toward limiting its potential loss exposure. The adequacy of your capital accounts most directly impacts that potential loss exposure. FDIC's actions appear to be highly motivated by the above discussed principle.

The willingness of stockholders or a community to inject new capital into a capital deficient bank is viewed as a measure of commitment. Returning a stressed bank to full health does take cooperation among all involved parties (regulators, stockholders, management, and the community). All parties must give and take in the correction process. Willing commitment to inject needed capital would appear to go a long way in the right direction toward winning the needed considerations (such as time) necessary for returning the bank to good health. The situation is very parallel to one of a borrower who is unable to perform on schedule. Collateral position influences the lender's attitude greatly toward finding a workout solution. Offering additional collateral, or not being willing to grant additional collateral that the borrower has available, will greatly impact the lender's attitude in resolving the problem between the two parties.

As management, one must guard against taking the funds provided by the equity accounts for granted. As

a gentle reminder, one should calculate the earnings generated at a conservative rate (Fed Fund rate) on average equity and subtract it out of last year's net earnings. Doing this in many rural community banks in recent years would have resulted in a negative number, or in removing the majority of the year's profit. This exercise once again highlights two critical points:

- First, we are reminded of how critical is the efficient management of net interest spread and operating expense.

- Second, this exercise emphasizes how difficult recapitalization by internally generated profit can become for stressed institutions with greatly diminished capital accounts.

The concept of risk-based capital standards does appear to have real merit. At its largest, Hayesville Savings bank had total assets of \$52 million and was capitalized at 10.5 percent. Hayesville has a population of 80 people. The bank was located seven miles from the county seat, which has a population of 2,600 people. The county in general is very rural and agricultural. For all practical purposes, the total potential market represented direct (farm operations) or indirect (suppliers) dependency on one economic base. Risk management through diversification in the loan portfolio was greatly limited. Because of the risk inherent in the loan portfolio, the degree of risk taken in other areas (i.e. investments) had to be greatly restricted, thus limiting income potential in these areas. This situation also highlights the critical need for non-interest (fee) income. In net, demographic (social and/or economic) considerations make risk exposure unique to each bank, because of the market it serves and, thus, it would seem reasonable to expect that prudent capital levels will vary accordingly.

In summarizing capital considerations, it would seem fair to say that capital is to a bank what a heart is to a body. Even if all else is fine, life cannot be sustained in its absence, or its diminished capacity. Without sufficient capital, or prospect of same, banks cannot anticipate a viable future.

CASH FLOW VS. COLLATERAL LENDING

Over the years, lenders have debated the merits and demerits of cash flow versus collateral-based lending. In reality, most loans are made out of consideration to both. As part of this same discussion it must also be granted that positive cash flows and earned worth are not necessarily synonymous. We much remind ourselves constantly that principal repayment, for all practical purposes, is totally dependent on the realization of after-tax profits (earned worth). None of us can realistically expect to be able to successfully predict future collateral values or profitability. This fact would seem to highlight the need to document profit

REFLECTS ON BASICS. . .

(Turn to page 30, please)

■ **ABOUT THE AUTHOR**—Paul M. Quam resides at Route 2, Sigourney, Ia., and had served for the past several years as the CEO of the Hayesville Savings Bank prior to its closing on March 10, 1988. Mr Quam was not an owner of the bank. He holds an MBA degree with a double emphasis in marketing and finance. Additionally, he has served as guest faculty to state and nationally sponsored banking schools, as well as a speaker to state and national bank conventions.

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Toledo, Ohio

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PERHAPS the biggest problem facing the board of directors of a commercial bank is the ownership structure. Developing a shareholder base with desired concentration, age and wealth characteristics is very difficult. One tool which should not be overlooked when analyzing shareholder structure is the leveraged buyout. As this article will illustrate, the leveraged buyout has become a common technique utilized by banks across the United States and can provide many advantages to the community, management, directors and shareholders of commercial banks.

Leveraged Buyout Defined

Leveraged Buyout (LBO) has become a generic term which encompasses many types of transactions. The components which are consistently prevalent in LBO transactions are: 1) borrowing of money to purchase a business; 2) repayment of debt from the cash flow of the acquired business, and 3) creation of equity ownership by the reduction of the debt obligation over time.

Although the components of an LBO are fairly straightforward, the means and methods by which the end result is satisfied are numerous. Transactions which are frequently termed as LBOs include: 1) the purchase of

an affiliate bank from a large bank holding company by an investor group; 2) purchase of an independent bank by an investor group, and 3) the reorganization of a bank into a bank holding company with some shareholders electing to liquidate their investment. While each of these three transactions is different in scope, they all have similar characteristics. Money is borrowed to purchase the bank and repaid through the cash flow of the bank's operations.

The ability of an LBO to be successful is contingent upon a few major factors.

- **First**, there must be a core group of investors or shareholders which is loyal to the independence of the commercial bank. Whether it be through the purchase of a bank affiliate, or the reorganization of a bank to a holding company, there must be enough individuals with an interest in keeping their investment in the bank.

- **Second**, the bank must have a management staff which is committed to the success of the bank. The most common ingredient in a troubled bank is poor or disinterested management. Investors' money will be at great risk if management is inept.

- **Third**, the commercial bank must have the earnings capacity to repay the debt obligation. Certainly the management staff has a great deal of influence on the ability of the commercial bank to make a profitable return. Still, given a strong management staff and poor earnings, the leveraged buyout will not be successful.

These three major components of a successful LBO are discussed in more detail in the remainder of this article.

The Investor Group

The first step in the LBO process is the creation of a core group of investors or shareholders willing to invest or continue to invest in the bank. The number of investors in the investor group can vary extensively. In general, the smaller the investor group the better, since coordinating a small group is more easily accomplished. Another advantage of a small investor group is that securities disclosure is generally less. This will be discussed in more detail later in this article.

A major disadvantage to a smaller investor group is that each member must contribute more money to meet the required amount of capital. The Federal Reserve has strict guidelines on the amount of capital which must be invested by the group and the amount of debt which can be used. Given the ability to repay the debt obligation

through financial projections, the investor group can borrow a maximum of 75% of the total purchase price. In other words, the investor group must come up with 25% of the purchase price in cash (or have a current investment in the bank). The investors generally must have a significant financial net worth and/or current income for approval by the lender and Federal Reserve.

The role of the investor group is slightly different when the bank reorganizes into a bank holding company and subsequently cashes out some shareholders. The investor group most likely will consist of current shareholders and possibly management.

Additional investors, if desired, will limit the amount of debt which needs to be borrowed. This type of internal LBO can be used to ward off an offer for the bank, provide liquidity to certain shareholders and/or help place stock into younger shareholders' hands. The major hurdle in this type of LBO is the determination of the number of shareholders which will elect to receive cash at a predetermined price. Given a fairly profitable bank, a maximum of usually two-thirds of the current shareholders could be cashed out at a "reasonable price." Using the two-thirds scenario, the equity interest in the bank holding company would be the remaining shareholders representing one-third of the shares outstanding. As with all LBOs, money is borrowed by the holding company and used to cash out the other shareholders.

"A bank stock loan from correspondent banks has become an attractive asset for many regional banks."

In any LBO transaction, the resulting ownership group must be fully committed to the use of its funds. This becomes even more evident given the Federal Reserve guidelines on dividend payments to shareholders in an LBO. The Federal Reserve maintains that no dividends shall be paid to shareholders if the debt to equity ratio of the organization is above 30%. For example, an LBO with a 25% equity interest and 75% borrowed money has a debt to equity ratio of 300% (75% divided by 25%). Exceptions to restricting dividends may be granted if the repayment of the debt using financial projections is promising. Nevertheless, tying up investor's funds without any current income is a big obligation and one that should not be taken lightly. Disinterested investors who demand liquidity at a future point in time will only be a thorn in the side of the organization. The investor group or resulting shareholder base should be loyal to the independence of the bank with personally sound financial conditions.

Bank Stock Loans

Another key element in an LBO is the successful retention of a bank stock loan to finance the acquisition. A correspondent bank, institutional investor or another financial source should be contacted by the investor group to apply for a loan commitment. A bank stock loan from correspondent banks has become an attractive asset for many regional banks. It is recommended that more than one source be approached so that a competitive process is used to realize the best terms. However, a commitment fee often is charged to the investor group; therefore, a cost/benefit analysis should be analyzed before applying to every correspondent bank in the country.

"Not to be overlooked in the entire process is the application to the appropriate agencies to gain approval of an LBO transaction."

The potential loan source should be provided with projections as to the repayment of the proposed debt over a period of 10 to 15 years. Factors used in projecting the feasibility of an LBO include the total purchase price for the bank, the amount of debt incurred, the terms of the debt and performance ratios of the bank. Areas to monitor over the 12 years include the capital of the bank and the debt-to-equity ratio of the holding company. It is recommended that a professional independent advisor be retained to support the investor group's projections. It is a fairly complicated process in financially structuring an LBO, and it lends more support to the investor group's projections to get professional help.

In addition to the financial projections, the entire biographical and financial history of the investor group should be included with the package to the loan source. The commercial lender often requires personal guarantees as well as corporate guarantees for the bank stock loans. This reinforces the belief that the investor group should possess the financial strength to pay off the loan by personal means in case the bank holding company is unable to do so in any given year.

Application Process

Not to be overlooked in the entire process is the application to the appropriate agencies to gain approval of an LBO transaction. The major regulator in the process will be the Federal Reserve Bank in the appropriate region. The Federal Reserve is the lead regulator of bank holding companies in the United States. Bank holding companies must be in place or formed in an LBO in order to borrow funds to purchase a commercial bank.

The application to the Federal Reserve most likely will be in the form of an FR Y-1 Application. Information disclosed in this application includes a description of the proposed transaction; information on the management of the organization; the effect on the competition and the convenience and needs of the communities and, most importantly, a detailed analysis of the financial capacity of the resulting holding company. This, generally, is the same information that is provided to the commercial lender and must meet the Federal Reserve guidelines discussed previously. Typically, personal financial statements, terms of the loan commitment and projections of the bank to repay the debt are provided in the financial information to the Federal Reserve.

The securities disclosures that are required in the formation and issuance of holding company stock will vary in complexity. Typically, LBOs of small community banks will fall under some type of exemption. Either the small dollar amount or the limited number of investors will lessen the amount of disclosure. It is preferred that the investor group be limited to 35 or under since investors over this amount generally will trigger SEC Registration under the 1933 Act. Limited disclosure will keep the registration fees, proxy materials and securities-oriented documentation at a minimum. The investor

group then can operate under the "Blue Sky" laws of the individual states, which will lessen considerably the cost involved with the registration and/or proxy solicitation. One word of warning in this area is that the investor group should not advertise publicly for investment in this transaction. If considered a public offering, the SEC will require a full-blown disclosure, which is extremely costly and time-consuming.

The entire time involved with perfecting an LBO transaction will obviously vary depending upon the complexity of the transaction. However, it can be stated generally that the formation of a holding company (if necessary), retention of a loan commitment and Federal Reserve approval can be gained within 5 to 9 months after initiating discussion with investors. Although this time period may not be suitable to certain shareholders needs, it is certainly well within the scope of typical transactions involving sales of commercial banks.

Pitfalls of an LBO

Loyalty of management and a core shareholder or investor group, in addition to professional assistance in application and financial projection processes, are the key ingredients for a successful LBO. However, there are other common pitfalls which may be addressed in transacting an LBO.

- **Price To Be Paid For Bank** — Whether it be an acquisition of a multi-bank holding company affiliate or reorganization, the price to be paid to current shareholders must be well thought out. It is recommended that a valuation of the stock of the commercial bank be performed by an independent appraiser. The investor group, along with professional assistance, should factor in the intangibles such as the market, the management and the marketability of the stock, which may alter the financial value.

A purchase from a multi-bank holding company is done typically on a competitive bid basis. The investor group is at a disadvantage under this scenario, given that it is competing with other bank holding companies with far more financial resources. The investor group must balance a competitive bid with being able to finance the acquisition.

- **Conflicts of Interest** — Often members of the investor group are currently directors or officers of the bank to be purchased. These individuals must be very careful to distance themselves from any "self interest dealings" in the transaction. It is essential to confront any

conflicting interest which may arise and take appropriate steps to protect those persons. It is naturally suggested that extensive documentation be kept to assure minimal risk to these individuals.

- **Optimistic Financial Projections** — One major problem with most investor groups is providing overly optimistic financial projections. It is important, when analyzing the feasibility of an LBO, to use reasonable and slightly conservative projections since the commercial lender and the Federal Reserve will do the same.

Advantages of an LBO

Although there are a number of obstacles to overcome in the formation of an LBO, there are some major advantages which can be gained from a successful completion.

- **First**, one of the major reasons why an LBO is pursued is to keep the local identity of the commercial bank. Given the support of management and the investor group, this goal can be accomplished through an LBO. The local economy and residents often benefit from having a local independent bank present.

- **The second** advantage of an LBO is the opportunity to provide management with a challenging opportunity to run its own commercial bank. Whether it be buying an affiliate of a bank holding company or preventing the sale, the management staff will have the capability of answering to themselves and not to a regional office.

- **Third**, an LBO can be a win-win situation for shareholders cashing out and shareholders remaining. Given a "fair price," an LBO can meet the liquidity needs of certain shareholders while the holding company can provide a sound investment for shareholders electing to remain. Further, given a profitable bank in addition to the tax advantages of debt, the financial return to the investor group could be substantial.

Summary

Boards of directors of commercial banks today face issues of meeting shareholders liquidity needs, providing an adequate rate of return to shareholders, and other shareholder related problems. Often, when faced with such difficult decisions, the board is uninformed as to all of its options. The leveraged buyout can be attractive potentially to all involved. This article has provided a general background on the process, but every LBO has different characteristics. It is recommended that the board of directors discuss the specific situation with professionals to determine the feasibility of such a transaction. □

Tom Smith Named President, Graduate School of Banking



T.R. SMITH

Mr. Smith, who is vice chairman of Brenton Bank and Trust Company, Marshalltown, Ia., and a director of Brenton Banks, Inc., has been a

member of the school's faculty for 25 years.

A former treasurer of the American Bankers Association, and a national president of the American Institute of Banking, Mr. Smith is president-elect of the Iowa Bankers Association. He succeeds William H. Kennedy, chairman of the board, retired, National Bank of Commerce, Pine Bluff, Ark. Mr. Smith will serve a three-year term as president of the School, which is sponsored by the 16 state banking associations in the Central States Conference of State Bankers Associations.

The Graduate School of Banking was founded in 1945 to provide high

quality, advance bank management education. Over 15,000 bank officers have completed the program and many of these graduates now occupy senior positions in banks across the country.

Richard I. Doolittle is executive director and CEO of the School and Foundation, headquartered in Madison, and James L. Pappas, dean of the College of Business Administration, University of South Florida, is academic dean.

The School's faculty includes 140 bankers, attorneys, business executives, economists, and members of university and college faculties.

AG BANKERS CONFERENCE. . .

(Continued from page 16)

Edelman, Associate Professor and Public Policy Economist Iowa State University, Ames, Ia. "Understanding the Changed Farm Credit System" — Frank W. Naylor, Jr., Chairman, Farm Credit Administration, McLean, Va.

8:30

"Breaking New Ground With Alternative Enterprises for Agriculture" — Michael L. Tramontina, Deputy Treasurer, Des Moines, Ia. Peter A. Hermanson, President, National Turkey Federation, Reston, Va. John F. Rooney, Executive Director, Potato Growers of Idaho, Blackfoot, Idaho. Carl Babler, Managing Partner, Lafayette Acres, Inc., Cuba City, Wis.

9:30

10:00

"Secondary Markets — the Stairway to Fulfilling Future Borrower Needs" — Floyd E. Stoner, ABA Manager, Community and Agricultural Banking, Government Relations.

Noon

James E. Murray, author of ABA's comprehensive training manual on the secondary market: Partner, Brown & Wood, Washington, D.C. Leslie Peterson, President, Farmers State Bank, Trimont, Minn.

Concurrent Sessions Repeated.

Coffee Break with Exhibitors.

Closing general session.

"Madison Avenue Moves to the Country" — Robert A. Phinney, Director of Domestic & International Advertising and Promotion, California Raisin Advisory Board, Fresno, Ca. "What's Ahead for the 1989 Ag Conference in St. Louis?" — Nov. 12-15, 1989.

"Aspire to Reach Higher" — Terry Bradshaw, a four-time All-Pro NFL superstar who led the Pittsburgh Steelers to four Super Bowl wins, an actor, TV sportscaster, corporate representative and widely celebrated lecturer.

Adjournment. □

REFLECTS ON BASICS. . .

(Continued from page 26)

feasibility, and to be in a position to monitor same on a timely basis. At the same time, prudent lenders must look at collateral considerations. One procedure that appears to have merit, and is very feasible with the use of a PC, is a spread, by category, of all collateral backing loans. As an example, ag lines might be categorized by the following:

- A. Real Estate
- B. Machinery
- C. Breeding Stock
- D. Feeder Stock
- E. Growing Crop
- F. Inventoried Grain
- G. Other

Armed with the totals of each category, and the ratio between categories, the bank can have an objective awareness of its current risk exposure, with the ever-changing values of various collateral categories, and can make management decisions accordingly. As regards collateral, Hayesville Savings Bank was real estate sensitive by a ratio of 271 over the next largest collateral category.

TIMING

Various functions of management are carried out in the various tenses (past, present, future). This is hardly a profound observation. Of relevance is the fact that

a given function must be conducted in the proper tense. In particular, management of the loan portfolio must be accomplished in the present tense. This becomes increasingly so with the decline in capital accounts and, thus, a diminished ability to take risk. Examiners evaluate loans in the present tense. In reality, this is all they can do, as the present affords the most definable picture of the credit (i.e. present performance and present collateral values, versus future).

In short it takes great amounts of capital to justify waiting to take action on non-performing lines, on the basis that at some time in the future the profitability and collateral value will return. During stable times a bank conceivably can go out on the branch for a deserving customer. During stressful times you can find yourself out on the branch with *many* customers. With the added load, the probability of breaking the branch is greatly increased. Deteriorating credit lines must be dealt with immediately. Not doing so accelerates the transfer of risk from the borrowers (where it rightfully belongs) to the lender, who ideally is not to be at risk.

Lastly, I would remind all of us that not all experiences we are exposed to are pleasant, but all experiences do afford us the opportunity to learn and relearn useful concepts. As initially stated, it is not anticipated that this article will offer any new, profound banking principles, but rather once again give us all an opportunity to reflect on the merit of proven banking concepts. □

RMA Expands Outside Sales Force

Two new account managers have been added to Robert Morris Associates' outside sales force, it was announced by Clarence R. Reed, executive vice president.

They are Anita M. Hill and Lillian A. Gruhn. Ms. Hill, who is based in RMA's southeastern regional office at 690-21D Village Trace, Marietta, Ga., has the southeast and southwest as her territory. Ms. Gruhn, who recently

opened a new RMA midwestern regional office at 120 S. Riverside Plaza, Suite 1785, Chicago, has the midwest and west as her territory.

Promoted by Barclays

Philip F. Strauss, Jr. has been promoted to group senior vice president and manager of the Central Group in the Business Finance Division of BarclaysAmerican/Business Credit. Mr. Strauss oversees business development activities and administration of

loans in the 13 states which make up the Division's Central Group, Chicago.

RMA Sponsors Loan Review Workshop in St. Louis

A one-day Loan Review Workshop focusing on the function and management of loan review will be held October 28 in St. Louis. The event is designed for bankers with a minimum of two years' experience in loan review. Individuals responsible for managing the loan review function in small and medium-size banks will also benefit.

● MICA President Calls for Claims Arbitration Board

Mortgage lenders and insurers should work together to establish a claims arbitration board to settle claims disputes, William H. Lacy, president of the Mortgage Insurance Companies of America (MICA), announced recently.

Mr. Lacy called for the claims arbitration board while speaking on a panel at the National Council of Savings Institution's 1988 National Mortgage Conference. MICA is the industry trade association.

"Second, MIs are insurance companies, and we must enforce our policies for the benefit of all policyholders. An analogy would be your health insurance. When you submit a claim, it typically includes costs not covered and in excess of the limits of your policy. You get a check for the full amount covered, but some of the costs you have to pay yourself. MGIC paid 99.3 percent of our claims in full under the terms of our policy last year."

Lacy told the group that the claims dollars the private mortgage insurance (MI) industry has paid to policyholders prove the need for mortgage insurance.

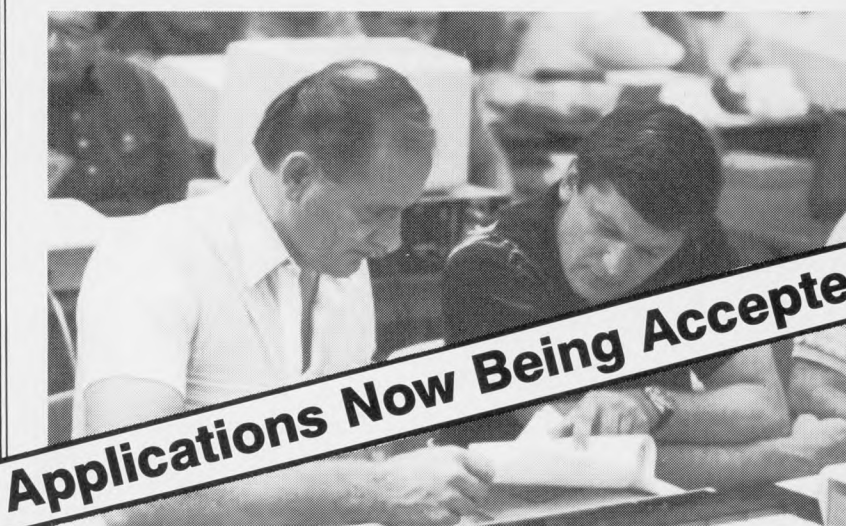
"Evidence of the risks (in mortgage lending) can be seen in the claims paid by mortgage insurers. For the first 25 years of its existence, the modern private mortgage insurance industry paid \$500 million in claims. In the last five years, claims paid jumped to \$5 billion.

Lacy said mortgage lenders will continue to need the coverage provided by the MI industry.

● United Missouri Bancshares to Buy Monroe City Bank

United Missouri Bancshares, Inc., Kansas City, has announced an agreement to acquire Monroe City Bank. The board of directors of Monroe City Bank and shareholders owning a majority of the bank's stock have agreed to exchange their stock for stock of United Missouri. The offer is contingent upon the tender of 100 percent of the stock and approvals by federal and state regulatory agencies. The stock offer is valued at \$6.8 million.

Monroe City, population 2,600, is located in the northeast region of the state near Cannon Dam and Mark Twain Reservoir. Founded in 1875, Monroe City Bank has assets totaling approximately \$43 million.



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Community First Names Region Manager

The board of directors of Community First Minnesota Bankshares, Inc., headquartered in Fargo, N. Dak., has appointed David A. Lee to serve as region manager for the Minnesota bank holding company. Mr. Lee currently serves as president and CEO and as a director of American National Bank of Little Falls, a Community First affiliate. He will continue to serve in those capacities. He has been president of American National since 1982.

Agreement Reached to Sell First National of Jackson

Robert M. Burnham, chairman and president of The First National Bank of Jackson, has announced that an agreement has been reached to see the majority stock in the bank owned by the C.A. Burnham estate to John E. Goodenow and James M. Hongslo, subject to regulatory approval.

Mr. Goodenow is chairman of Goodenow Bancorporation, headquartered in Spirit Lake, Ia. The holding company's principal bank is Wall Lake Savings Bank in Wall Lake, Ia., of which Mr. Goodenow is chairman, president and chief executive officer. Mr. Goodenow also is chairman of Fairmont Bancorporation, which owns control of The Fairmont National Bank in Fairmont.

Mr. Hongslo is chairman and president of The Fairmont National Bank, the position he assumed in October, 1986. Prior to that time he had been with the Security National Bank in Sioux City, Ia., for 15 years following his graduation from the University of South Dakota in Vermillion. He served most of those

years in the correspondent bank department, resigning as vice president to accept the Fairmont National appointment.

The First National Bank of Jackson has \$47 million in assets, while The Fairmont National has \$37,312,000 in assets. The two banks will be operated as separate charters following regulatory approval. Jackson is 28 miles due west of Fairmont in south central Minnesota, just above the Iowa line.

Promoted in Pine City

Edward W. Palmer has been promoted to president of Pine City State Bank. He has been with the bank since 1983 and previously served as executive vice president and cashier. Prior to joining Pine City State, he was with First Bank System, serving at affiliate banks in North Dakota, South Dakota, Montana and Minnesota.



E.W. PALMER

Winona Bank Forms Leasing Subsidiary

The Merchants National Bank of Winona has announced a major expansion of its operations through the formation of a leasing subsidiary. Headquartered in Bloomington and with an office in Winona, Merchants Capital Resources, Inc. will serve Minnesota, western Wisconsin and northern Iowa.

J. Roger Meier has been named president of the leasing subsidiary. He had been sales manager for Hubbard Leasing Company of Mankato, and has also worked for ITT Industrial Credit, St. Paul; Norwest Leasing, Minneapolis, and the Omaha National Bank.



R. MEIER

Named in East Grand Forks

First Bank System has named Daryl Evavold president of First Bank East Grand Forks. In addition to his new responsibilities, Mr. Evavold will continue to serve as an

account executive in the client group.

Mr. Evavold began his career with FBS in 1981 as a management associate. In 1982 he was appointed to commercial lending officer and in 1987 to account executive.

V.P. Named in Virginia

Gerald Johnson has been promoted to vice president at First Bank Minnesota, Virginia office. He joined FBS in 1986 and serves as a product group manager.

Promoted in St. Cloud

John E. Leisen, president of Zapp Bank, St. Cloud, has announced the promotion of Marci Axtman to staff accountant/investment coordinator. She has been with the bank for one year.

Richfield Bank Sponsors Seminar Series

Richfield Bank & Trust Co, Richfield, is sponsoring a series of four seminars which will be presented by Gumphrey Learning Centers, Inc. for Attorneys, CPAs and Financial Planners. The series began September 1 with "Internal Trust Understandings." Upcoming topics are "Trust Officers Duties and Working with Life Underwriters" (December 1), "Trusts and How They Work" (February 23) and "Case Study of Living Trusts and Testamentary Trusts" (April 13). The seminars cost \$30 each and are held from 6:00 to 10:15 p.m.

Sullivan Work Displayed in Owatonna

An exhibition of the architectural ornamentation of Louis Sullivan, widely regarded as the most spectacular and original art of its kind in America, was presented in Owatonna September 13 through October 9.

The display was held at the Owatonna Arts Center, about ten blocks from one of the best preserved examples of a total Sullivan architectural enterprise: the downtown banking office of Norwest Bank Owatonna.

The collection of Sullivan pieces was salvaged from 28 different buildings built between 1881 and 1919, mostly in the Midwest. Sullivan designed the Owatonna bank in 1906 and it was completed in 1908.



Twin Cities

First Bank System announced on September 16 the appointment of 19 bank presidents and four business line managers in the Twin Cities. First Bank recently organized its community banks into four Twin Cities metro markets.

Norb Conzemius, president of community banking for the St. Paul East Metro Market, announced the following appointments:

Craig Bollum, who is president of First Bank, Payne Avenue.

Jerry Thole, who is president of First Bank, Midway.

Patricia Crowns, who is president of First Bank, Grand Avenue.

Jim Widen, who is president of First Bank, Battle Creek.

Tom Madden, who is president of First Bank, White Bear Lake. The First Bank, Lakewood office also reports to him.

Gary Woeltge, who is vice president and manager of private banking and community business banking, First Bank, St. Paul.

Dianne Arnold, who is executive vice president and manager of consumer banking, First Bank, St. Paul. Also reporting to her are the Shoreview, Highland and Little Canada offices.

Colleen McCoy, president of community banking for the Minneapolis Central Market, announced these appointments:

Mark Ouradnik, who is president of First Bank, St. Louis Park.

Linda White, who is president of First Bank, West Broadway. The St. Anthony and Apache offices also report to her.

Dave Zelinsky, who is president of First Bank, Lake at 25th Avenue. Also reporting to him is the Lake at Bloomington Avenue office.

Ann Melendez, who is vice president and manager of consumer banking for First Bank, Minnea-

polis.

Chuck Peterson, who is vice president and manager of community business banking, First Bank, Minneapolis.

A vice president and manager of private banking for First Bank, Minneapolis has not yet been named.

Neel Johnson, president of community banking for the South Metro Market, announced the following appointments in his market:

Bruce Soma, who is president of First Bank, Bloomington. Also reporting to him are the West Bloomington and Lyndale offices.

Bob Stehlik, who is president of First Bank, Edina, with offices at 50th and France and 70th and France.

Sandra Lipsey, who is president of First Bank, Apple Valley.

Eric Iversen, who is president of First Bank, Eagan.

Sandy Anderson, who is president of First Bank, Burnsville.

Scott Hutton, who will become president of First Bank, Eden Prairie, which will include the Suburban National Bank following regulatory approval. He is currently serving as the transition manager.

Dave Gilman, president of community banking for the North/West Metro Market, announced the following appointments:

Paul Elsome, who is president of First Bank, Minnetonka. The Ridgedale office also reports to him.

Gary Peterka, who is president of First Bank, Hopkins.

Duane Ostlund, who is president of First Bank, Robbinsdale.

Bill Stangler, who is president of First Bank, Plymouth. Also reporting to him is the Brooklyn Park office.

Kirby Scroggins, who is president of First Bank, Northtown. The Coon Rapids office also reports to him.

First Bank System has announced recent promotions:

John Crenshaw and **Kathlyn Kastner Slater** were recently promoted to vice presidents, mortgage banking services in the special industries group. Mr. Crenshaw began with FBS in 1964 and Ms. Slater came to FBS in 1984.

The loan portfolio management group of FBS recently promoted **James Melville** to vice president, special loans real estate. He joined FBS in 1985 and was an assistant vice president.

Mark Paynter was promoted from assistant vice president to vice president, finance. He came to FBS in 1980.

David Morem has been named vice president of finance, metro community banking. He joined First Banks in 1979.

The corporate banking group has announced the promotions of **Sally Webber Centner** and **Terry Steen** to vice president, upper Midwest division; **David Draxler** to vice president, national division; **Jeffrey Torison** to vice president, national agribusiness; and **Steven William son** to vice president, corporate marketing.

* * *

Norwest Corporation announced on August 30 plans for a new banking office in Edina as part of a program to expand its community banking operations in the Twin Cities suburbs.

The new facility, to be known as the Edina office of Norwest Bank Minnesota, N.A., will be located at 5116 Vernon Avenue in a building currently undergoing extensive renovation. The new office was scheduled to open for business on September 19.

Dan Saklad, Norwest's regional president for Minnesota/Wisconsin,

said Norwest intends to expand its community banking business in other suburban communities with either new banking offices or enlarged quarters over the next six to 12 months.

* * *

Nelson D. Civello has been named executive vice president and head of FBS Capital Markets Group. He has nearly 20 years of experience in banking, investment banking and public finance, most recently with Marine Midland Capital Markets, a division of Marine Midland Bank in New York, where he was director and deputy division executive of the municipal securities division.

* * *

William M. Wingfield has been promoted to senior vice president and manager, trust securities processing, for Securities Processing Services, Inc., a subsidiary of First Bank System.

He joined FBS in April of this year from Wachovia Bank and Trust, Winston-Salem, N.C., where he was vice president of trust operations services. He has more than 15 years of bank and trust automation/operations experience.

* * *

Robert E. Leech has been promoted to executive vice president of First Trust. He most recently served as senior vice president of the personal trust group of First Trust. In his new position he will continue to manage the personal trust group.

Prior to joining First Trust in 1985, Mr. Leech was president of First Bank of South Dakota and senior vice president of the trust department.

* * *

Midway National Bank, St. Paul, has announced recent promotions.

Susan A. Hagen has been promoted from commercial loan officer to assistant vice president in the commercial lending department. She joined the bank in 1981, and has served as loan administrator and credit department manager. Prior to coming to St. Paul, she was assistant cashier and compliance officer at the Bank of Buffalo Grove, Ill.

John B. Hermanson has been promoted to commercial lending officer. He previously served as credit department manager, also in the commercial banking department. He



S.A. HAGEN

J.B. HERMANSON

joined the bank in 1984 as a credit analyst, was appointed as officer and credit department manager in 1986, and was subsequently assigned additional supervisory responsibilities for the bank's loan auditing section.

* * *

Marquette Insurance Group has announced that four of its employees have purchased the property and casualty division from the Insurance Group. The new agency is called MIG Insurance Brokers, Inc.

Marquette Insurance Group will continue to offer life insurance, employee benefits plans and other financial services products from its new headquarters in the Piper Jaffray Building in Minneapolis. MIG Insurance Brokers officially opened for business on August 1 and will remain at 7401 Metro Boulevard in Edina.

* * *

Norwest Banks have introduced a

stop payment service that allows commercial customers to use their office personal computers to stop payment on a check and receive instant binding printed confirmation of the stop payment order.

Karl Ostby, vice president of cash management for Norwest, said it is the first on-line stop payment product in the Upper Midwest. The Norwest "BankTIES Stop Pay" system allows customers to request a photocopy of a check which has been paid. The system features tiered pricing based on volume breaks on the number of accounts a business has and the number of stop payment requests generated each month per account.

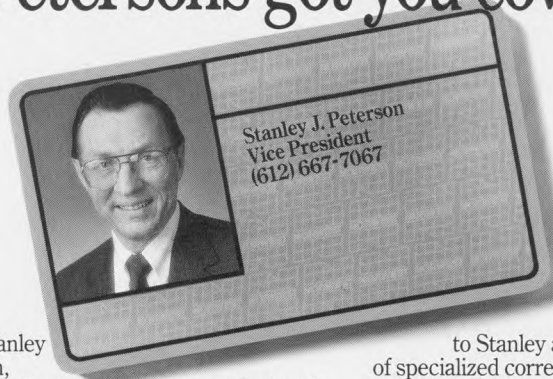
Several Minnesota-based companies participated in the design and pilot use of the product, including IDS Financial Services, Inc., Blue Cross Blue Shield of Minnesota, and Target Stores.

Norwest Bank Minnesota has also introduced a new software product that enables corporate customers to pay state taxes electronically in Indiana through personal computers. That state recently became the first state to require electronic payment of corporate taxes.

Norwest officials said they are the first bank to provide a software package that enables companies to

TWIN CITIES NEWS...
(Turn to page 41, please)

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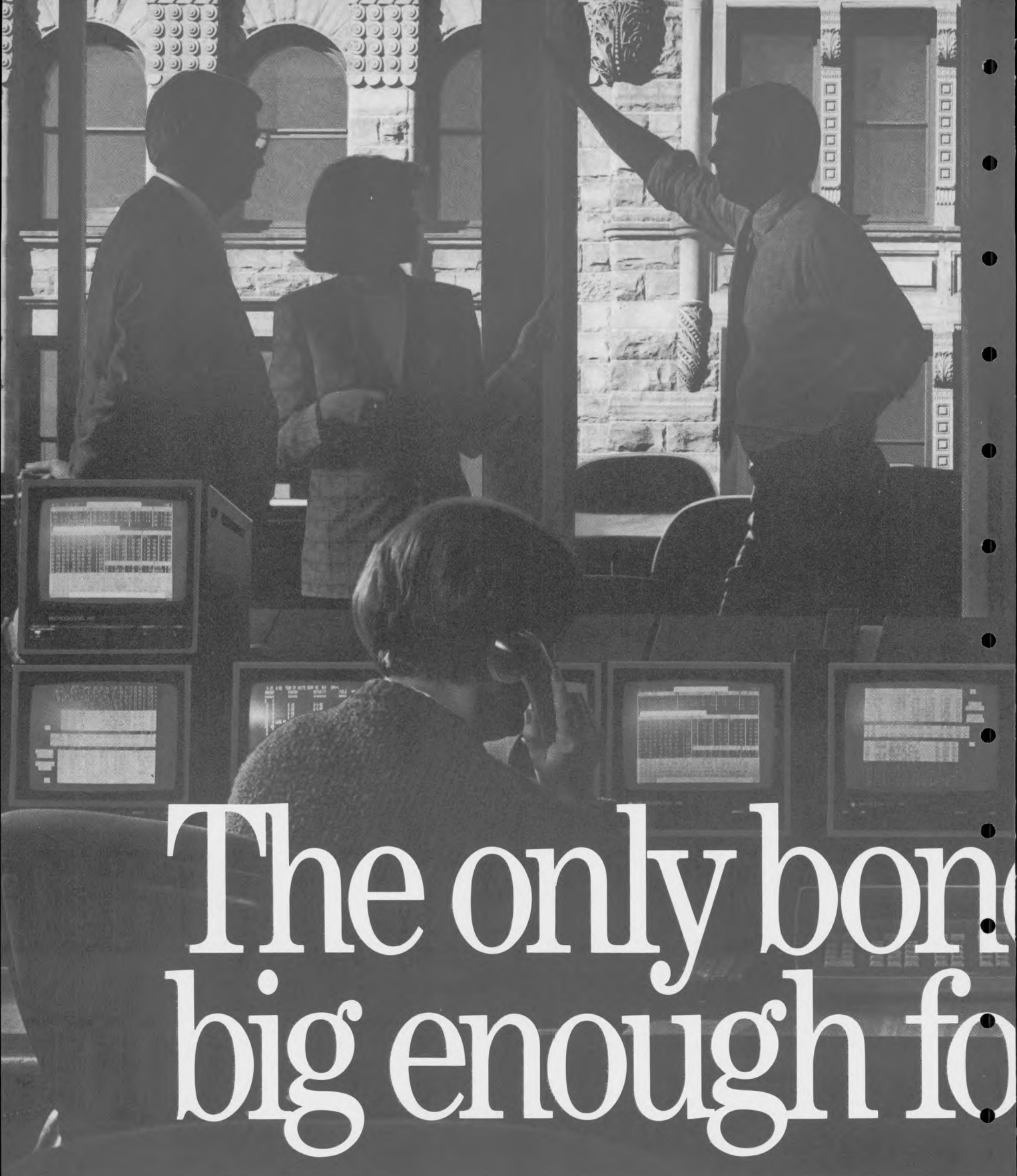
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Joseph F. Tomasello has been named president of Avenue Bank of Elk Grove. He joins the bank from Plains-Bank of Illinois, formerly Des Plaines National Bank, where he most recently served as senior vice president of the commercial lending division. Prior to joining PlainsBank, he worked at the First National Bank of Chicago as a commercial banking officer/manager.



J. TOMASELLO

Gerrie M. Smith has been appointed vice president in charge of retail banking for the Affiliated Bank Group, Inc. She previously served as senior vice president and cashier for the Affiliated Bank/North Shore National. Prior to that, she worked for Unity Savings/Talman Home Federal Savings and Creditthrift of America.

Three new officers have joined The Exchange National Bank of Chicago.

Gordon L. Mason is vice president in the bond department and will manage the government trading desk. He previously was with Rodman and Renshaw, where he was vice president in charge of the municipal trading and underwriting departments.

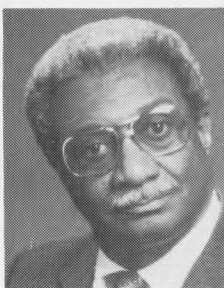
Lynn M. Orawiec is vice president and retail development manager. She previously was with Continental

Illinois Bank, where she was second vice president and group marketing manager.

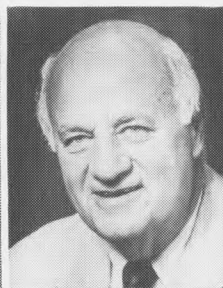
Lori S. Stern is assistant vice president in the cash management sales department. She joins the bank from Connecticut National Bank in Hartford, where she was relationship manager and assistant vice president in the insurance industry department.

* * *

Arnold E. Davis has joined Amalgamated Trust & Savings Bank as vice president in the marketing department. Previously, he was vice president and chief lending officer for Illinois Service Federal Savings and Loan Association in Chicago. Prior to that, he was a vice president at Continental Bank. A relationship manager for municipalities and labor unions in Continental's public funds division, Mr. Davis also worked in the public finance division of the bank.



A.E. DAVIS



T.J. BRESNAHAN

Amalgamated Trust & Savings has also announced that **Timothy J. Bresnahan** and **Elcosie Gresham** have been appointed to the bank's board of directors. Mr. Bresnahan is business manager of Local Union 134 of the International Brotherhood of Electrical Workers. Mr. Gresham is president and business agent of Local Union 241 of the Amalgamated Transit Union.

* * *

William L. Staples has been named chief credit officer and chairman of the credit policy committee of Continental Bank. He was responsible for Continental's credit risk evaluation division from 1983 to 1985, before becoming head of the money market distribution, public finance and municipal securities division. Since October 1987, he has handled special assignments for the bank's credit risk management area. He joined the bank in 1965 and has held a number of commercial lending positions in Chicago and New York

Mr. Staples succeeds **Daniel C. Rohr**, who has resigned to become executive vice president and chief credit officer at Columbia Savings and Loan Association in Beverly Hills, Calif.

* * *

Allen G. Wolkey has been named senior consultant for compliance services at Financial Shares Corp. He comes to the organization from the Federal Reserve Bank of Chicago, where he served most recently as vice president of bank relations. He

CHICAGO NEWS...

(Turn to page 70, please)



1st Natl. Collinsville and UMB Banks To Merge

The boards of directors for First National Bank of Collinsville and UMB Bank of Illinois in Maryville have elected to merge the two banks into UMB First National Bank. The merger was effective August 31.

Under the merger, the bank has combined assets of almost \$157 million. Its main office will be in Collinsville, with offices also in Maryville and Caseyville, a total of four.

The board of the merged bank includes directors from the previous banks' boards. Gary Haskell will serve as chairman and chief executive officer, with David Skiles as president, Richard Dawdy as executive vice president, and Scott Thomas as senior vice president.

The bank is an affiliate of United Missouri Bancshares, Inc., a multi-bank holding company headquartered in Kansas City, Mo.



First Wisconsin Announces Acquisitions in Minnesota

On September 14, First Wisconsin Corporation completed the acquisition of Century Bancorp, Inc., a one-bank holding company in Circle Pines, Minn. Terms of the transaction were not disclosed.

Century Bancorp owns the \$26 million Centennial Bank.

First Wisconsin has also announced that it has reached an agreement to acquire the \$160 million Stillwater Holding Company, headquartered in Stillwater, Minn.

Stillwater Holding Company has controlling interest in the \$120 million First National Bank of Stillwater. Through its ownership of Hugo Bancorporation, Inc., a one-bank holding company, it also owns the \$40 million First State Bank of Hugo, based in Hugo. Terms of the transaction, which involved an exchange of stock, were not disclosed.

In addition to its main office in Stillwater, the First National Bank of Stillwater has two branch offices, one in Stillwater and one in Lakeland. The First State Bank of Hugo has a branch office in Lino Lakes.

No staff changes are anticipated.

Upon completion of this acquisition, expected during the first quarter of 1989, First Wisconsin will have purchased a total of nine banks in Minnesota with 26 locations and over \$850 million in assets.

Named in Madison

Sal A. Troia has been named senior vice president of Valley Bank, Madison. He will assume responsibility for the overall direction and

management of operations at the bank and its subsidiaries.

Mr. Troia will also continue as vice president/operations and treasurer of Valley Bancorporation. He has been with the organization for 19 years.

Goldman Elected NABW Pres. for Fox Valley

Kristine Schulz Goldman, corporate legal administrator and compliance officer with Valley Bancorporation, Appleton, has been elected president of the Fox Valley Group of the National Association of Bank Women, Inc.

Ms. Goldman was awarded in 1986 for "Outstanding Contributions to the Department of Legal Administration." She was recently asked by the FDIC Washington office to be guest speaker for a compliance seminar.

Promoted in Sun Prairie

Robert J. Maly has been named computer operations officer at Valley System, Inc.'s Sun Prairie location. He has been associated with Valley for six years, most recently as computer operations

manager.

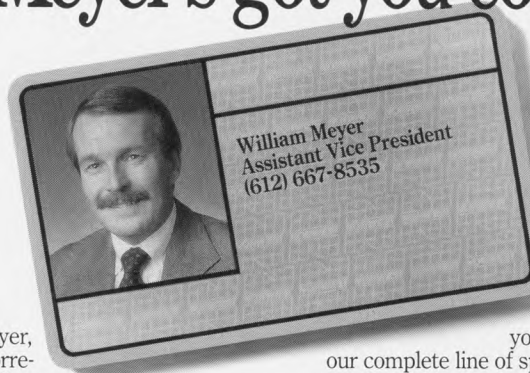
Two new appointments have been announced in the data control department. Jane Mathweg and John Montgomery have been named data control supervisors. Ms. Mathweg was employed since March, 1987 as a balancing clerk. Mr. Montgomery has been with Valley for ten months, most recently at the Valley Bank on Monona Drive.

Valley Offers Next Day Deposit Availability

Valley Banks is offering next day deposit availability at its 88 locations. Nearly all checks deposited at the Valley banks will be available for withdrawal the next business day, with a few exceptions determined on a case-by-case basis.

Federal regulations now require next day access for certain items such as cash deposits, electronic transfers, and deposits of U.S. Government checks. "The regulation was written to protect consumers and businesses from having their funds held for an excessively long period," said Sal A. Troia, vice president/operations and treasurer for Valley Banks. "But really it is not as pro-consumer as Valley's own practice of next day availability."

In Wisconsin, Bill Meyer's got you covered.



Meet Bill Meyer, Norwest's Correspondent Banker for Wisconsin. When you have correspondent banking needs, he's a good person to know. Bill makes it his business to understand the special needs of community banks. And he wants to do business with

you. Talk to Bill about our complete line of specialized correspondent banking services. When it comes to correspondent banking, he's got you covered.

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Britton Bank Fails

The Marshall County Bank in Britton was closed August 19. Its deposits were assumed by First National Bank of Beresford. The bank had deposits of \$9.6 million and assets of \$10.5 million.

The failed bank's offices in Britton and Veblen are now branches of First National of Beresford.

Canton Bank Sold

Local officers and directors have purchased controlling interest in Farmers State Bank of Canton. The bank had been owned by three local families.

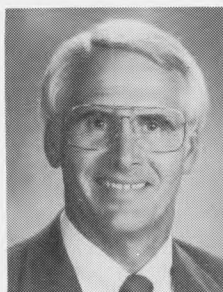
Purchasing the bank were Chairman Elmer Anderson, President Bruce Anderson, Vice President

Luverne Hammerstrom, Cashier Carol Crawford, Assistant Cashier Drew Anderson, William R. Lennon and George Hanson.

The bank has assets of \$25.6 million and deposits of \$21.2 million. No staff changes are anticipated.

Named in Huron

Farmers & Merchants Bank of Huron has named Ronald R. Jenkins executive vice president and commercial lending officer. He is a 24 year veteran of banking. Mr. Jenkins most recently was president of Commercial Trust and Savings Bank in Mitchell, also serving as a director of that bank until 1985. He retired from banking in 1985 to become involved in Mitchell Community activities, primarily in the area of physician recruitment.



R. JENKINS

Promoted in Sioux Falls

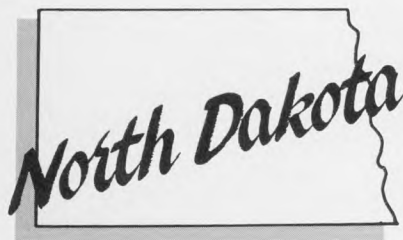
Timothy Hamel has been promoted to vice president, trust, at First Bank of South Dakota, Sioux Falls. He joined FBS in 1984 and most recently served as an assistant vice president and corporate trust officer.

Added in Mitchell

Harlan Nielsen has joined the Mitchell staff of Norwest Bank South Dakota as mortgage loan originator/personal banker. Since 1981, Mr. Nielsen has been with Century 21, Koupal and Anton, Inc. He has been an associate broker since 1984.

Dakotah Declares Dividend

Rodney Foubert, chairman of the board of Dakotah Bank Holding Co., announced recently that the board has declared a three percent stock dividend in lieu of its semi-annual cash dividend. The stock dividend will be paid on September 27 to shareholders of record on September 13.



Community First Announces Management Changes

The board of directors of Community First National Bank of Wahpeton has elected Ronald K. Strand president and chief executive officer and a director of the bank. William M. Sanger has resigned those offices but will continue to serve as chairman of the bank.

Mr. Sanger has resigned to accept the position of vice president of cor-

porate relations for Community First North Dakota Bankshares, Inc., Fargo. He will continue to be a shareholder of the bank and continue to serve as a director of the bank holding company. He joined the Wahpeton bank in 1964 and has served as president since 1971.

Mr. Strand has resigned as president and chief executive officer of Norwest Bank of North Dakota—Wahpeton to accept the position at Community First. He had served as president of the Norwest bank since 1985. From 1983 to 1985 he was senior vice president of Norwest Bank—Jamestown. He began his banking career at Northwest Bank—Moorhead, Minn. in 1973.

In addition to his positions in Wahpeton, Mr. Strand has been appointed region manager from the Community First North Dakota Holding company.

Minot Bank to Remodel

First Bank Minot has announced plans to spend \$500,000 remodeling its building at 17 First Avenue Southwest in downtown Minot. The project has already commenced.

The 25 year old bank will remodel all three floors with new ceilings, lighting and furniture. The drive-in

teller window will also be modified.

Upon completion of the project, First Insurance, a bank affiliate, will move its offices to the second floor of the bank building.

Pfeifle Elected ICBND Pres.

Myron Pfeifle, president of Bismarck State Bank, was elected president of the Independent Community Banks of North Dakota during their recent annual convention.

The convention was held at the Kirkwood Motor Inn in Bismarck, and attended by 300 bankers, their spouses, and associate members.

Mr. Pfeifle has been with the Bismarck State Bank since 1978, when he was hired as vice president. He was promoted to executive vice president and CEO in 1980 and president and CEO in 1982.

Between 1975 and 1978, Mr. Pfeifle was vice president of the Elk

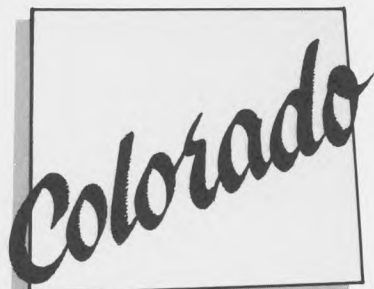


M. PFEIFLE



R.K. STRAND

W.M. SANGER



United Bank of Denver Announces Promotions

A number of promotions have been announced recently by United Bank of Denver:

Robert A. Brown, portfolio manager in asset management services, has been named vice president. He recently joined the bank.

Brad L. Meuli, who joined the bank last year, was also promoted to vice president. He works in regional corporate banking.

Named assistant vice presidents were Christopher B. Johns, asset management services; Brian J. Baker, special assets; Barry B. Chesnut, manager of general accounting and regulatory reporting; Kip Hughes, manager of the women's banking center, and Gary B. Lutz, cash management.

Named commercial banking officers were M. Elizabeth Hummel, Lisa L. Montgomery, Bruce W. Panter, Henry S. Romaine Jr., Carolyn L. Salmans, Randall J. Schmidt, John M. Varnell, Melinda A. Yarborough and Marlain E.

Labagnara.

J. Henry Schoenewise, Rhonda J. Bryant and Margaret A. Colbert were named asset management officer, operations officer and investment officer, respectively.

United Banks Elects S.V.P.

Susan K. Koonsman has been elected senior vice president—

human resources at United Banks of Colorado. She has been with United Banks since April 30, 1987, when the merger of United and Intra-West Financial Corporation was finalized. She became vice president—human resources in early 1988.



S.K. KOONSMAN

Ms. Koonsman spent ten years with the Manville Corporation before moving to The First National Bank of Denver in 1981.

Pres. Named in Durango

John A. Marvel has been named president and chief executive officer of The First National Bank of Durango. He is a former chief executive officer of the First National Bank of Alamosa, and more recently was president of the Montana Bank of Bozeman, Mont. He has been with The First National Bank of Durango since September, 1987.



MBA Meets to Discuss Bank Structure Proposal

At a recent meeting of the Montana Bankers Association board of directors, a draft of proposed changes in bank structure was reviewed.

Said MBA President Lynn Grobel, "We are working on a bank structure proposal that will improve services to the consumer and help Montana's economy." According to Mr. Grobel, a number of changes in the proposal, such as allowing banks to merge and consolidate plus provide banking facilities in communities not now served by banks, are being considered.

In response to an economic consultants report to the Governor's Council on Economic Development, Mr. Grobel said, "Montana bankers are also concerned about archaic banking laws holding us back from providing competitive financial services to all Montanans. Our association will try to modernize bank laws and regulations in the 1989 Legislature for everyone's benefit."

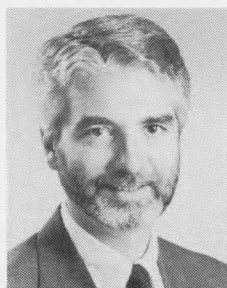
TWIN CITIES NEWS...

(Continued from page 35)

initiate an automatic clearing house tax credit electronically through a PC. The new program is an add-on to the BankTIES program.

Norwest Corporation has named Patrick M. Redmond to a new position as creative

art director for its in-house art and design group. He had been operating his own consulting firm, Patrick Redmond Design. The art and design group



P.M. REDMOND

provides project planning, design, art production and communications services, audio-visual support services and video production services. It also operates an art production studio and manages the company's graphics identification standards.

Marquette Bank Minneapolis has announced the addition of two officers to its staff.

William Endres joins the bank's loan administration division as assistant vice president. Previously, he was a member of the liquidation division for the FDIC. Prior to that, he held various management positions at several Minnesota banks including Pope County State Bank of Glenwood, State Bank and Trust

Co. of New Ulm, Roseville State Bank, and First Bank in St. Paul.

Mike Sexton joins the bank business services group as assistant vice president. Most recently, he was the vice president of finance and administration at Hoffman Electric Company. Prior to that, he was an assistant vice president at First Bank Minneapolis.

Marquette Bank Minneapolis's main bank at 6th and Marquette has been chosen as the location for bank scenes filmed for the CBS Entertainment movie, "The Comeback." Filming in the lobby, skyway, and on the marble staircase of the bank took place on August 23. The movie stars Robert Urich.



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Federal Reserve Bank of St. Louis

200 Attend Ag Credit Conference

By **BEN HALLER, JR.**
Publisher

AN EXCELLENT turnout of 200 registrants for the 1988 Ag Credit Conference sponsored by the Nebraska Bankers Association September 1 and 2 at the Lincoln Hilton Hotel was a substantial increase over the 1987 attendance. The annual Ag Credit Conference is hosted by the NBA Lending Committee, of which Ken Ward, senior vice president and cashier of Cornhusker Bank in Lincoln, is chairman. He was assisted in moderating the business sessions by two of the other 15 committeemen—Mike Jacobson, senior vice president, National Bank of Commerce, Lincoln, and Richard Nelson, vice president, Farmers State Bank & Trust Co. of Superior.

Two men were honored with plaques at the first day luncheon for their numerous contributions to agribusiness at the state and national level. They were U.S. Trade Representative Clayton Yeutter and Kirk Jamison, Nebraska director for the Farmers Home Administration. NBA President Harley Bergmeyer, president of Saline State Bank, Wilber, presented the awards.

He cited Mr. Jamison for "his willingness to go to bat for Nebraska farmers and ranchers to make FmHA programs work as they were intended," mentioning specifically Mr. Jamison's excellent work

in establishing the FmHA's Approved Lender Program in Nebraska. The Cornhusker state leads the nation in lender participation in the Approved Lender Program.

Ambassador Yeutter, who could not be present, was chosen as co-recipient because of his remarkable success in negotiating export agreements that have significantly improved the federal export picture, especially for ag commodities. Ambassador Yeutter is a native of Eustis, Neb., and is a graduate of the University of Nebraska in Lincoln, where he received a Ph.D. in ag economics and a law degree.

Dr. Neil Harl, the Charles F. Curtiss Distinguished Professor of Economics at Iowa State University, Ames, presented a five-part seminar that ran throughout the first morning session. His talks looked at U.S. Agriculture in a World Setting, Government Farm Programs, Lender Liability: Problems and Pointers, and Developments in Agricultural Real Estate Lending.

To strengthen U.S. agriculture, Dr. Harl said, the short-term need is for the government "to provide adjustment assistance. In the long-term we must increase demand sharply or reduce production. One of our most promising solutions to our over-production is encouraging increased food consumption in non-ag countries." This can be accomplished, he added, "by helping them to do what they do best by utilizing



their low-cost labor to produce goods for export so they will have money to import from us."

Dr. Harl used extensive slides and charts to illustrate all of his discussions. Throughout the latter part of his remarks he referred to the future of agriculture and the positive and negative factors that could affect it by the year 2000—"and that's only 12 years away!" To outline his projections for our readers, Dr. Harl prepared the special summary that appears in the feature section of this issue outlining ten factors to consider for agriculture in the year 2000 A.D.

Thomas H. Olson, president of Lisco State Bank in Lisco, Neb., spoke in his capacity as one of the nine appointed members to the interim board of the Federal Agricultural Mortgage Corporation. That corporation, known now as Farmer Mac, was contained in H.R. 3030, the Agricultural Credit Act of 1987, which was signed into law January 6, 1988 by President Reagan. That was known primarily as the Farm Credit System rescue bill, but contained Title VII creating the secondary market for long-term ag real estate loans and allows banks and other financial institutions equal access to the market.



LEFT—Kirk Jamison, FmHA state director for Nebraska, and his wife, **Trula**, admire the plaque given to Kirk by the NBA in recognition of his numerous contributions to the State of Nebraska. With them are, from left: NBA Pres. **Harley Bergmeyer**, pres., Saline State, Wilber; NBA Lending Comm. Chmn. **Ken Ward**, sr. v.p. and cash., Cornhusker Bank, Lincoln, and NBA Exec. V.P. **Stan Matzke**. **RIGHT—**Two of the prominent guest speakers at the Ag Credit Conference were **Thomas H. Olson** (left), pres., Lisco State Bank and past pres. of IBAA, and **Dr. Neil Harl** (third from left), the Charles F. Curtiss Distinguished Professor at Iowa State University, Ames. They are pictured with **Mr. Bergmeyer** and **Mr. Matzke**.



LEFT—Three Nebraska bankers who had a big hand in the creation of the idea for Farmer Mac when they served together on the ABA/IBAA Joint Task Force to look at lending alternatives for bank ag lenders were, from left: **Tom Olson**, pres., Lisco State and past pres. of IBAA; **Mel Adams**, chmn. & pres. of Adams Bank & Trust, Ogallala, and **C.G. Kelly Holthus**, pres., First Natl., York, pres.-elect of the ABA. Mr. Adams and Mr. Holthus also are past presidents of the NBA. **RIGHT**—Commodity speaker **Richard A. Brock** (left), pres. of Brock Associates, Milwaukee, visits with NBA Lending Committee member **Mike Jacobson**, sr. v.p. Natl. Bank of Commerce, Lincoln, who presided at final session.

Mr. Olson reported action of his subcommittee that met in Denver August 26 to hear presentations made by 11 investment firms bidding to handle the \$20 million stock sale scheduled to be offered in October. He said "ABA and the IBAA have worked hard together to assure that as broad a range of banks as possible may participate in purchase of this stock." He said it appears likely it will be offered in increments at least as low as \$5,000 to encourage widespread bank participation. "This is a real positive step for community banks to expand their ag real estate loans by accessing national markets through Farmer Mac," he stated.

Rusty Jesser, federal legislative representative for the American Bankers Association in Washington, D.C., presented the "Washington Legislative Issues/Up and Down the Hill." This centered on another look at Chapter 12, the Farm Credit rescue bill and the Secondary Market that resulted, drought legislation, mediation laws, and other current banking legislation under study.

Frank W. Naylor, Jr., chairman of the Farm Credit Administration in McLean, Va., who is responsible for regulating and overseeing the Farm Credit System, recalled the 1971 legislation revamping the FCS. "One side said loans to be made should be at 75 percent of the agricultural business value of that property. The other side merely had a higher number. It wound up being 80 percent of appraised value. If it had been 75 percent of the business value, look at how many problems we would have avoided!"

Registrants and spouses were taken by bus to the UNL Center at the University of Nebraska Institute of Agricultural and Natural Resources. Professors from the Ag College made five concurrent presentations from which guests could select the one they wished to attend. Following a banquet at the facility, Dr. Irv Omtvedt, vice chancellor for Agriculture & Natural Resources, was the speaker.

The entire program the second morning was devoted to "Commodity Prices—Making Decisions in Difficult Times," and presented by **Richard A. Brock**, president of Brock Associates in Milwaukee, Wis. Mr. Brock is widely-known and respected by farmers and bankers alike for his thorough, accurate reports that serve as guides for thousands of his readers. He used extensive charts to discuss commodity prices, the tools needed by producers to market their crops, the timing that is necessary, the banker's role in advising on a farmer's marketing programs, and developing the consistent marketing plan itself. A few of the comments offered by Mr. Brock follow:

"Even with the worst drought ever we've only hit \$3.40 per bushel on the corn, showing that the 30-year cycle is still valid."

"Keep the stock market in perspective. Between 1965 and 1985 it moved only between 700 and 1,000. Now, people think 2,700 is the norm and cry when it ranges between 1,900 and 2,100. It was 1,250 in 1985!"

"The bond market is about ready to make a move to the upside. I think we'll see bonds in six months

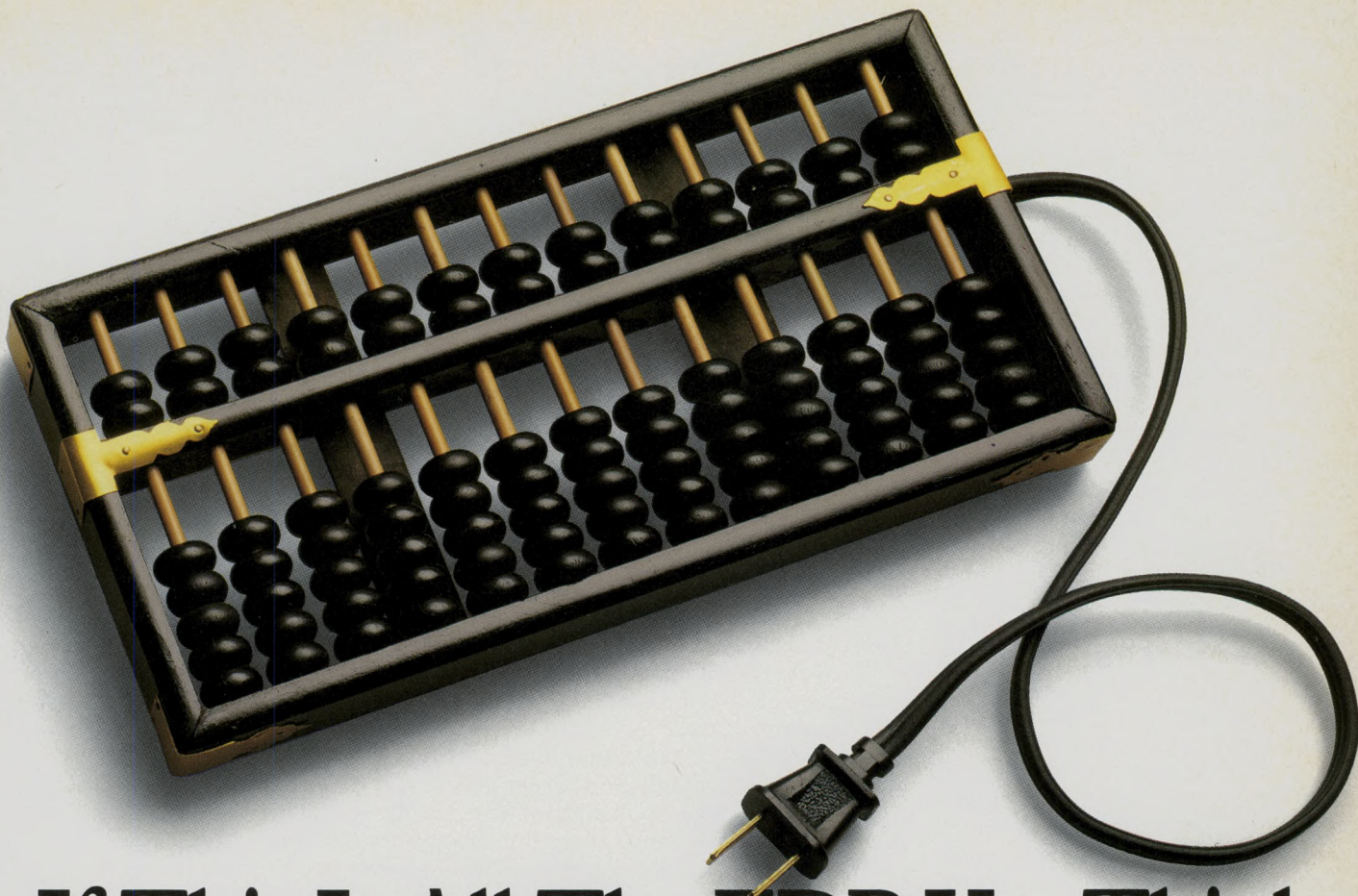
trading at par. Why? The Fed thinks it will control inflation. The difference between inflation rate of 4 and the prime at 10 means the real cost of money is 6. It can come down now. The bond market today is telling us it's going higher. It was up 1½ last Friday."

The 1988 Ag Credit Conference concluded with a noon luncheon and an address given by **Tom Osborne**, head football coach for the University of Nebraska. After giving a short assessment of his team's opening victory over Texas A&M and a brief review of key players on the 1988 team, Mr. Osborne said "The one true thing that lasts, and is most important in each person's life, is character. It is the main thing and all else fades away. Building character is made up of several components:

"1. *Discipline*—Learning, studying and doing over and over again



University of Nebraska head football coach **Tom Osborne** (seated left) is pictured with NBA Pres. **Harley Bergmeyer** (right) and program speaker **Rusty Jesser**, ABA federal legislative repr., Washington, D.C.



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“3. *Teamwork*—There are two kinds of players. The first asks, ‘What’s in it for me? How much personal attention and glory is in it for me?’ The second kind is a team player who asks only, ‘What can I contribute to be better to help the team?’ Happiness as a member of the team depends on your stance toward life.

“5. *Be multi-dimensional*—Learn about the rest of the world besides athletics. Learn about life. We’re physical, mental and spiritual beings and we need a balanced life. One-dimensional people can’t cope with adversity such as an injury, or personal problems such as divorce. That’s why we have chapel each Saturday morning, so our players have a feeling for this important dimension of their lives. *You* need balance in *your* lives, as well, besides banking, farming or other business pursuits.”

The meeting concluded following the luncheon. ☐

Roger D. Synovec has been elected president of Plainview National Bank of Plainview. He joined the bank in 1972 and has held the positions of vice president and ag loan officer, senior vice president, and most recently, executive vice president and chief loan officer. He succeeds Eldon R. Fox, who was with the bank over 25 years.

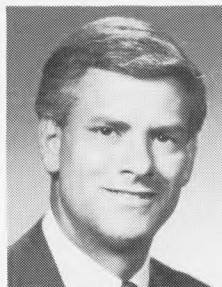
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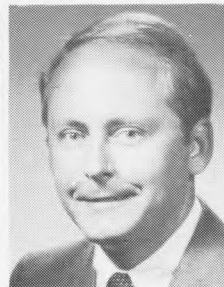
Omaha

Jack Ayres was named senior vice president of development. He began his banking career in Manhattan, Kan., in 1971. In 1982 he moved to the Tri-County Bank and Trust in Bellevue and was chairman of the board and president there until 1985. He then became chairman of the board and president of the Bank of Bellevue, and held that position until joining Norwest in May.

John C. Pearson has been named vice president in the commercial real estate department. He began his banking career in Wichita, Kan., and moved to Omaha in 1985 to work as vice president in a savings bank. In 1986 he became a vice president and manager of a mortgage corporation.



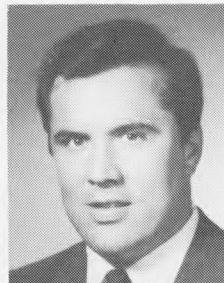
J. AYRES



J. PEARSON



T.J. BEHMER



L. RAYNOR

Laurence Raynor began working in the trust department of Norwest Bank Nebraska's downtown Omaha bank in April. He formerly served as a high school teacher and counselor and as an account executive for an investment firm.

* * *

Christine M. Carpino has been named vice president and director of marketing and sales for American National Bank of Omaha. She most recently served as field marketing manager for Godfather's Pizza. She was director—strategic planning for Data Documents from 1983 to 1986 and worked in corporate finance and strategic planning for Enron Corp. from 1979 to 1983.

* * *

A "Gala Family Fun Nite" was sponsored by Douglas County Bank & Trust Co. on Saturday, September 17 at Rosenblatt Stadium. Entitled "Together, Let's Dream," the event featured vocal and band music and a fireworks display. Bank customers were invited to attend the fun night for free.

* * *

Norwest Bank Nebraska, N.A. recently displayed the work of sculptor **Matt Placzek** in the lobby at the bank at 20th and Farnam.



Lincoln

Union Bank and Trust Company, Lincoln, has received FDIC approval to merge with the Pawnee County Bank, Pawnee City. The Pawnee County Bank will be operated as a branch of Union Bank and Trust. No staff changes are anticipated.

* * *

Bailey Lewis & Associates, a Nebraska-based advertising, marketing and public relations firm with offices in Lincoln and Omaha, has been chosen as the agency of record for the Nebraska Higher Education Loan Program, Inc. (NEBHELP) and the Nebraska Student Loan Program, Inc. (NSLP).

Elected in Kearney

Mary C. Thaut was elected cashier of First National Bank and Trust Company of Kearney at a recent meeting of the board of directors. Ms. Thaut was formerly assistant vice president of operations at City National Bank in Hastings. Previous to that, she was employed by the United Bank of Greeley, Greeley, Colo.



M.C. THAUT

Name Changes Announced

Abbott Bank Group has announced that ten banks in the group have changed their names to "The Abbott Bank." The banks will remain under separate charters.

Banks changing their names include the Guardian State Bank and Trust Co., Alliance; the Bridgeport State Bank; the Bank of Chadron; Gordon State Bank; the Bank of Hyannis; the Bank of Hemingford; the Bank of Mullen; the Merriman Bank, the Bank of Valentine, and Citizens State Bank of Thedford.

NORTH DAKOTA NEWS...

(Continued from page 40)

Valley State Bank in Larimore. He began his banking career with the Farmers and Merchants Bank in Aberdeen, S. Dak., in 1970.

Mr. Pfeifle has served for several years on the ICBND Executive Council, and as chairman of the association's General Services Committee. He serves on the Banking Services Committee of the Independent Bankers Association of America, is a member of the National Community Banker Advisory Board for the American Bankers Association, and has been active in the Bismarck Chamber of Commerce. He is also active in civic and church organizations.

Other officers of the ICBND are: President-Elect—Terry McNea, president, Farmers & Merchants Bank, Hatton, and Vice President—James Goetz, president, State Bank of Oliver County, Center.

NDBA Group Officer Candidates Announced

The Nominating Committees of the four NDBA Groups indicated plans to present the following slates of candidates for group officer positions at the meetings which were

held the week of September 26:

Northeast Group: President—Peter K. McKenzie, vice president, Lamb's Bank of Michigan City. Vice President—Terry Rime, president, Farmers & Merchants Bank, Langdon. Secretary/Treasurer—Mike Granlund, vice president, Northwood State Bank.

Northwest Group: President—William C. Parker, vice president, First American Bank, Rugby. Vice President—Zinie Peterson, executive vice president, Lakeside State Bank, New Town. Secretary/Treasurer—Frank Keogh, senior vice president, American State Bank, Williston.

Southwest Group: President—Ronald Braseth, president, First National Bank, Hettinger. Vice President—Gerald Willer, president, Kirkwood Bank & Trust Co., Bismarck. Secretary/Treasurer—Delores Maier, vice president, Security State Bank, New Salem.

Southeast Group: R.J. Klinkhamer, president, First American Bank, Casselton. Vice President—Steve Dahlstrom, vice president, Farmers & Merchants Bank of Valley City. Secretary/Treasurer—Jerry Woods, president, First Bank of North Dakota—Fargo.

Additional nominations will be accepted from the floor during the group meetings. The four newly-elected group Vice Presidents and the Southeast Group's new Secretary/Treasurer will begin three-year terms on the NDBA Executive Council following the 1989 Convention.

American Natl. Honors ICBND with Tree Plantings

To commemorate the contribution made by independent community banks to the growth and vitality of North Dakota, American National Bank of St. Paul, Minn., has donated 106 tree seedlings to the North Dakota State Park Board for planting in the new Cross Ranch State Park project.

The presentation was made on September 8 at the annual convention of the Independent Community Banks of North Dakota by Craig Mueller, assistant vice president of American. The gift was related to the convention theme, "Our Roots Run Deep." The 106 seedlings were meant to represent the 106 members of the ICBND.



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FirstTier Bank Omaha and FirstTier Bank Lincoln are a dominant financial force throughout the heartland. We know this area and its people. That's why we're the institutions to turn to for help with your own needs, or when serving the needs of your customers.

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- And, in 71 years, we have never changed our name.

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That's a record in Des Moines that nobody — nobody — can match.

We Believe in You
Bankers Trust
Member FDIC



OFFICERS of the Iowa Bankers Association for 1988-89 are, left to right: Immed. Past Pres.—**Clair J. Lensing**, pres., Farmers State, Marion; Exec. V.P.—**Neil Milner**, Des Moines; Pres.—**Donald E. Snyder**, pres., Manufacturers Bank & Trust, Forest City; Treas.—**Thomas B. Gronstal**, pres., Carroll County State, and Pres.-Elect—**Thomas R. Smith**, vice chmn., Brenton B&T, Marshalltown.

Don Snyder Named IBA President

By **BEN HALLER, JR.**
Publisher

DIANE NELSON
Associate Editor

ROBERT CRONIN
Associate Publisher

A WELCOME RAIN fell during the Iowa Bankers Association convention last month, giving registrants further reason for their upbeat mood. Speakers gave encouraging talks about the continuing economic recovery in Iowa and the Midwest, although looking over

their shoulders at the earlier part of the 1980s and adding a touch of caution to their comments.

Donald E. Snyder, president and chief executive officer of the Manufacturers Bank and Trust in Forest City moved up to the IBA presidency, succeeding Clair J. Lensing, president and CEO of Farmers State Bank in Marion. The new president-elect, named by mail ballot by IBA members in August, is Thomas R. Smith, vice chairman of Brenton Bank and Trust in Marshalltown. Continuing as treasurer for the second year of his two-year term is Thomas B. Gronstal, president and CEO of Carroll County State Bank, Carroll. Although he does not have officer status within

the IBA structure, Dale C. Froehlich, president and CEO of Ankeny State Bank in Ankeny, also was elected in the August mail ballot as treasurer-elect, a position created to give more continuity to the increasingly important job as treasurer.

Neil Milner continues as executive vice president and CEO of the IBA professional staff in Des Moines headquarters.

Sunday Business Meetings

The annual business meetings for the Iowa Bankers Association, Iowa Bankers Insurance and Services and members of the American Bankers Association were held Sunday afternoon.

In his report to the IBA membership, Executive Vice President Neil Milner said IBA's long-range plan was set in motion five years ago and is being reviewed constantly by the board of directors. "The board has now put in place a strategic plan for the future," he said, "not just a technical document, but a living document. It has built-in, measurable criteria to monitor the plan's progress, to make sure it is keeping pace and performing for the members." On the legislative front, Mr. Milner said feedback from Iowa House and Senate legislative leaders indicates that when they are asked by various groups how to do a better job, the elected representatives say, "Go talk to the Iowa Bankers Association!"

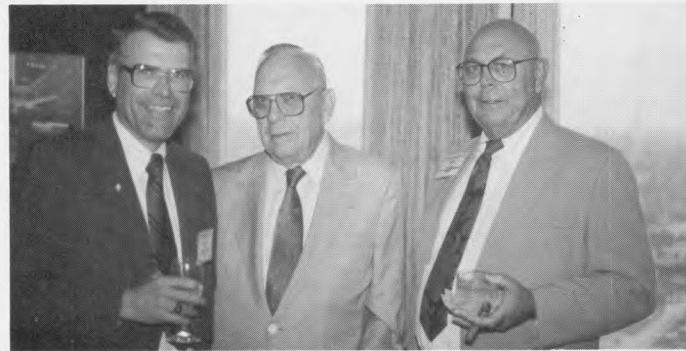
Mr. Milner said there is an expanding interest in BankPac, which now has exceeded 1987 participation but is still short of the level of several years ago. "However," he added, "we have turned the trend line upward again." He said IBA members soon will receive a new personnel



LEFT—United Missouri Bank of Kansas City hosted their annual dinner during the IBA Convention. Enjoying themselves were, from left: **Mark Bailey**, a.v.p., host bank; **Jack Rigler**, pres., Central State, Muscatine, and his wife, **June**; **Carlene** and **Patrick Moehn**, pres., Commercial Savings, Carroll, and **Jeff Gobel**, v.p., host bank. **RIGHT**—Also present were, from left: **Max Larson**, pres., First Natl., Sioux City; **Dick Muir**, v.p., host bank, with **Sheryl** and **Duane Prill**, chmn., Pleasantville State.



LEFT—Present at the Merchants National Bank hospitality suite were, from left: **David Neuhaus**, pres., Fairfax State Sav.; **Jerry Trudo**, v.p.; **Bob Louvar**, v.p., both with host bank, and **Bill Talen**, chmn. & pres., Farmers Sav. B&T, Traer & Vinton. **RIGHT**—Taking part in the Banks of Iowa reception were, from left: **Larry Gilb**, pres., host bank; **Terry Martin**, v.p., Merchants Natl., Cedar Rapids, and his wife, **Dixie**; **Jim McConnell**, chmn. & pres., Somers Sav., and his wife, **Susan**, and **Jim MacLean**, v.p., Valley Natl., Des Moines.



LEFT—First Bank Minneapolis hosted a luncheon during the convention. Taking part were, from left: **Al Highum**, v.p., host bank; **Al Maser**, chmn. First Natl., Lemars; **Ken Bezdicsek**, v.p., and **Dewey Senneseth**, v.p., both with First Bank Mpls. **RIGHT**—Cole Taylor Bank/Drovers held its luncheon during the IBA Convention. Guests included **Bill Boehm**, pres., Tama State; **Vaughn Hartzell**, rtrd., Mechanicsville Tr. & Sav., and **Max Roy**, sr. v.p., host bank.

manual, as well as a catalogue of all services and products available through the IBA.

Gerald F. Lapke, retiring chairman of IBIS and president of the Shelby County State Bank in Harlan, introduced the other ten members of the IBIS board. The new chairman will be Norman D. Skadburg, president at First State Bank in Webster City. The new member of the IBIS board is Paul H. Johnson, the IBA representative on the board. He is president and CEO of Iowa State Bank, Algona.

IBIS President Frank Gleeson said, "1988 was a good year. We increased business by 18 percent to \$2.3 million in premiums." Mr. Gleeson gave a review of each division of IBIS and noted progress in each of them.

Russell S. Howard, ABA state vice president for Iowa and chairman of Mahaska Investment Co., Oskaloosa, conducted the brief ABA meeting. Named to succeed J. Bruce Meriwether, president of First National Bank, Dubuque, to a two-year term as an ABA Leadership Conference delegate was Clair J. Lensing, now immediate past president of IBA.

Monday General Session

The morning session of the convention began in traditional fashion with a tribute to outgoing IBA President Clair Lensing. Mr. Lensing's positive attitudes about banking and how they are reflected in his selection of the "C-O-O-P" theme were related during the presentation.

First speaker for the morning was Dr. John G. Stoessinger, professor of international affairs, Trinity University, who explored present economic conditions and the future of the American economy in the light of international relations.

Dr. Stoessinger expressed his amazement at improved relations with the Soviet Union, and advised bankers to take advantage of a new market: "A lot of bankers will be going to Russia to look for business."

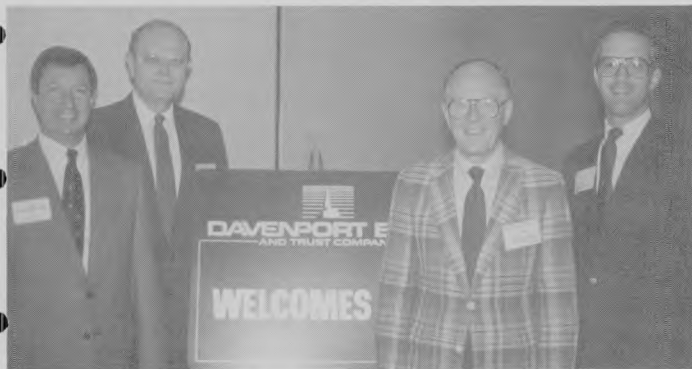
Possibly even greater opportunities are opening up in China. Dr. Stoessinger said, "We are talking about one-fifth of the human race turning from communism to capitalism." He warned bankers that the Chinese are very slow and deliberate in their dealings, a fact often discouraging to Americans and advantageous to the patient Japanese.

"Do not become provincial," he advised. "You want to get in on the ground floor before the rest of the pack catches on."

As for the Japanese, Dr. Stoessinger expressed deep concern about their influence over the American economy. "We [the U.S.] have become a fire sale for the Japanese for the last three to four years," he said. He foresaw the October, 1987 stock market crash and considers the main factor to be the sudden boycott on American bonds by the Japanese, who previously had been heavy investors. "Twenty-five percent of our American standard of living is borrowed Japanese funds," he stated.

Dr. Stoessinger then compared the attributes of Japanese and American students, crediting them with discipline and creativity, respectively. "The secret to success is to combine creativity and discipline," he said. "Those who do will control the market."

Dr. Stoessinger closed by relating the saga of his youth, when he escaped the Holocaust in Europe only to be captured in Russia and sent to the Gulag. He subsequently fled to Japan, where he was witness to



LEFT—Davenport Bank & Trust hosted a convention-wide breakfast and participants included **Jim Figge**, off. of pres., host bank; **Bob Sierk**, pres., First Natl., Ia. City; **Stan Barber**, chmn., Wellman Sav., and **Michael Bauer**, 1st v.p., host bank. **RIGHT**—**Pete VanSistine**, Valley Systems, Inc. and **Gary Stevenson**, right, v.p., First Natl., Sioux City, visit in the exhibit hall.



LEFT—Visiting at the IBIS, Inc. exhibit were, from left: **Max Klernan**, pres., Alton Sav.; **Ron Meyer**, v.p., IBIS, Inc.; **Larry Gille**, v.p., IBIS, Inc.; **Dan Jessen**, exec. v.p., Farmers Sav., Weaver; **Bill Carr**, v.p., IBIS, Inc.; **John Fagerland**, pres., Maquoketa State, and **Jim Jensen**, v.p., IBIS, Inc. **RIGHT**—Guests at the Midwest Management Consultants exhibit were, from left: **Kevin Harding**, farm repr., and **Ralph Wollenhaupt**, pres., both with First Natl., Fontanelle; **Janel** and **Bob Neville**, v.p., Midwest Mgmt., Omaha, and **Gene Young**, v.p. & cash., Treynor State.



LEFT—Showing their wares at the Office Concepts, Ltd. exhibit were, left: **Dick Bremicker** and **Ross Schoonover**, with guest banker, center, **Steve Land**, v.p., Security Sav., Farnhamville. **RIGHT**—Visiting at the Modern Banking Systems, Inc. exhibit were, from left: **Gil Baehler**, MBS, Inc.; **Gary Schoeni**, pres., Farmers & Traders Svgs., Douds, and **Mike Reynolds**, reg. sales mgr., MBS, Inc., Omaha.



LEFT—At the Laser Pro exhibit were, from left: **Royal Nold**, sr. v.p., Iowa St., Algona; **Doug Wall**, Century Systems, Des Moines; **Dave Windle**, CFI Bankers Services, Portland, Ore.; **Curt Gressman**, cash., Polk City Sav., and **Gary Livesay**, v.p., IBIS, Inc./Laser Pro. **RIGHT**—Taking part in one of the many concurrent sessions were, from left: **Chuck Bonsteel**, **Steve Porter** and **Jim Wolf**, all with James Baker & Co, Oklahoma City. They spoke on "Theories of Investment Portfolio Management."





LEFT—Displaying their wares at the National Bank of Waterloo exhibit were, from left: **Tom McDermott**, sr.v.p.; **Judy DeGroot**, v.p., both with National Bank of Waterloo, and **Ellen Thompson**, a.v.p., Peoples T&S, Indianola. **RIGHT**—Visiting at the Investment Centers of America exhibit were, left: **Larry Tweed**, sales rep., Bismarck, N.D., and **Dean Conrad**, v.p. & cash., First T&S, Remsen.



LEFT—At the Evergreen Systems, Inc. of Omaha display were, from left: **Dave Stochl**, v.p., Omaha; **Gary Todd**, exec. v.p., and **Steve Bloomquist**, asst. cash., both with Peoples Natl., Columbus Junction, and **Lee Meyer**, Omaha. **RIGHT**—Visiting at the Banking Careers, Ltd. exhibit were, from left: (front) **Jean Eden**, owner, Des Moines, and **Sandi Garner**, Webster City, with their guests, from left: (back) **Norm Skadburg**, pres., and **Jeff Plagge**, exec. v.p., both with First State, Webster City.



the conflagrations at Hiroshima and Nagasaki, and made his way at last to Shanghai, China. There an American officer from Iowa befriended him and assisted him in gaining entrance to Grinnell College in his home state. Dr. Stoessinger's ode to the value of freedom as it abounds in America earned him a standing ovation from the moved crowd.

Next on the agenda was ABA President Charles Pistor, who urged bankers to "stay involved with passion" in the fight to get expanded powers for banks.

Mr. Pistor also brought up the soon-to-be-released ABA task force report on the FSLIC problem. He said that solving the problem will surely require taxpayer assistance, and also expressed that whatever the eventual solution, it *will* involve banks. "I cannot stress enough that this is a bank problem," he told his listeners.

Rounding out the morning session was Thomas W. Faranda of Faranda & Associates, who addressed the topic "Ten Com-

mitments to Excellence in Growing Your Banking Business Profitably." His ten recommended commitments are to the customer; to creative thinking; to an entrepreneur/entrepreneur environment; to effective leadership; to consultation; to dialogue; to culture, mission and values; to peak performance; to management and self development, and to achieving excellence.

Concurrent Sessions

During Monday afternoon, convention attendees were able to attend two of the concurrent sessions.

"Economic Development—Tapping the State's Resources" was presented by a panel of experts moderated by Myrt Levin, executive director, Iowa Business Council, Des Moines.

Assistance for new businesses was discussed by Jack Bailey, director, Iowa Area Development Group, West Des Moines. He gave information on the use of tax increment financing, the Small Business Development Centers, and the Iowa Business Growth Company.

Leonard C. Goldman, director, ISU Research Park in Ames, gave a presentation on research parks and incubators. He urged banks to invest in these programs in spite of their risk because of their necessity if Iowa is to benefit economically from advances in research.

Bruce Gerleman, president of the International Trade Center of Iowa in Des Moines, described how the Trade Center assists the efforts of Iowa communities and businesses to reach markets overseas.

Jude Conway, administrator, Division of Finance Authority, Department of Economic Development, Des Moines, shared with the audience the work of the Bureau of Business Assistance. The Bureau creates jobs and provides loans, loan guarantees and grants to assist businesses.

One of the more popular concurrent sessions was presented by David Miles, managing director for Investors Management Group, Ltd., Des Moines. Mr. Miles' presentation, "Opportunities in Bank-Sponsored Brokerage," encouraged

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LEFT—At the First Interstate exhibit were, from left: **Jeff Sims**, a.v.p., Des Moines; **Kris Ausborn**, v.p., Iowa T&S, Emmetsburg; **Sid Jones**, exec. v.p., Home State, Jefferson, and **Randy Steig**, v.p., First Interstate, Des Moines. **RIGHT**—Displaying their information during the convention were, left: **Michael Hopson**, v.p., Des Moines, and **Douglas Austin**, pres. & c.e.o., Austin Associates, Toledo, Oh.



LEFT—“Puttin’ around” at the BICS Banking System exhibit were, from left: **Milt Hennick**., Cedar Rapids; **Charles E. Walsh**, v.p., Farmers & Merchants, Burlington; **Randy Johnson**, Cedar Rapids, and **Lisa Walsh**, a.v.p., also with F&M in Burlington. **RIGHT**—**Roy Wingers**, left, talks with a banker about Bank Building Corp., St. Louis.

bankers to learn the ins and outs of bank-sponsored brokerage and how to generate profits.

Mr. Miles said, “A bank-sponsored brokerage is a creative approach to controlling customer assets by providing alternatives to traditional bank products and services within the bank itself.” He also said that bank-sponsored brokerage helps enhance the image of the bank, retain customer assets and generate fee income.

Mr. Miles said that, first of all, the brokerage operation “must fit with your bank’s overall strategy and have one hundred percent support from the top.” Secondly, a survey should be taken to determine the services your customers want. Third, the bank should establish clear objectives and define its approach as either defensive or as a profit center.

Other concurrent sessions offered were “Coping With Change” with consultant Dr. Charlene Bell; “Theories of Investment Portfolio Management” with representatives of James Baker and Co., Oklahoma City; a Laser Pro demonstration by Gary Livesay of IBIS; “Retirement

Benefits for Your Employees”; and “A Passion for Customers” videotape by author Tom Peters.

On Monday night a reception was held in the exhibit hall, after which receptions were held in the bank lobbies of First Interstate Bank, Norwest Bank and Valley Bank in downtown Des Moines. A number of private dinner parties followed, then registrants were invited to the President’s Dance at the elegant, new Iowa State Historical Museum where guests could inspect the facilities and dance to the Big Band sound of an excellent orchestra that played till midnight.

Tuesday Ag Breakfast

The Tuesday morning Ag Breakfast session was marred by the inability of the scheduled speaker to arrive because of weather complications along his route to Des Moines. Ambassador Clayton Yeutter, the U.S. Trade Representative, was rerouted by the airlines and couldn’t be located the morning of the breakfast. Teleconference lines were quickly installed as a backstop, but when it became apparent Ambassador Yeutter couldn’t be found, IBA staff executives Neil Milner and

Wes Ehrecke showed their ingenuity by quickly arranging during the breakfast hour with several prominent guests to share the platform for an impromptu panel discussion. They responded graciously and were given a warm reception by the large audience. Taking part were: Lt. Gov. JoAnne Zimmerman; Iowa Secretary of Agriculture Dale Cochran; Iowa FmHA Director Bob Pim, and Robert Furleigh, ASCS state executive director. Moderating the panel was Don Muhm, the well-known and highly-respected farm editor for many years of *The Des Moines Register*.

Mr. Cochran quickly reviewed the effects of the ag recession of recent years. He said Iowa lost 11,000 farmers, 275 implement dealers (three per county!); 137,000 people left the state, and 40 banks were closed. He added, “Now, I have had to spend 80 percent of my time on the drought. We formed a Task Force of 32 top people who have been looking at how to help farmers get through the worst of it. Most of our efforts and suggestions wound up being implemented by USDA Secretary Lyng or being enacted into law by

More Pictures from Iowa Bankers Convention

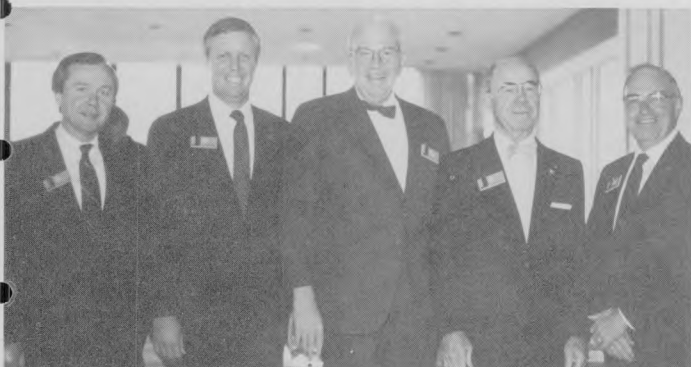
Final convention speaker **Carl Pohl** (center), pres., Marquette Bank Minneapolis, is pictured with, from left: **Jock Stevenson**, pres., First T&S, Cedar Rapids; IBA Pres. **Clair Lensing**; IBA Sr. V.P. **Wes Ehrecke**, and **Doyle Ruble**, pres., Iowa State Savings, Clinton. Mr. Pohl is owner of the Cedar Rapids and Clinton banks.



LEFT—Data Business Equipment was on hand to visit with bankers at the convention. Taking part were, from left: **Jim Landuyt**, Des Moines; **Parker Schmitz**, Des Moines; **Bob Chittenden**, pres., Farmers Sav., Mitchellville, and **Tom Kolb**, Des Moines. **RIGHT**—Enjoying a shoe shine, compliments of MidAmerica Corporation were, from left: **Bill Clark**, acct. mgr., Financial Information Trust, Des Moines, and **Jerry Trudo**, v.p., Merchants Natl., Cedar Rapids.



LEFT—Present at the First Natl., Omaha Dinner at the Wakonda Club were, from left: **Gerry Tomka**, v., and his wife **Rosle**; **Jim Grotenhuls**, Sec. State, Stanton, and his wife **Kathryn**, with **Marty McCartney**, pres., United Natl. of Iowa, Sidney, and **Pat**. **RIGHT**—Also enjoying the evening were, from left: **Pat Moehn**, pres., Commercial Sav., Carroll, and his wife, **Carlene**; **Timmy** and **Bill Miller**, pres., Polk City Sav.; **Ginger O'Neal**, host bank, and **Bruce Lauritzen**, pres., host bank.



LEFT—Welcoming guests to the Bankers Trust convention reception were, from left: **Tom Smith**, exec. v.p.; **Dennis Wood**, pres. & c.o.o.; **John Chrystal**, chmn. & c.e.o.; **John Ruan**, chmn of exec. comm., and **Ben Elders**, sr.v.p., all with host bank. **RIGHT**—Visiting with a banker was, left, **Jeff Rodman**, v.p., MABSCO Capital, Inc., Des Moines. Mr. Rodman presented "Farm Lending and Farmer Mac—The Secondary Market Arrives."

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Federal Reserve Bank of St. Louis



LEFT—Showing their wares at the Brandt Money Handling Machines, Omaha, exhibit were, from left: **Rudy Carey**, **Herb Duysen**, **Dennis Steel** and **Mark Grimes**. **RIGHT**—Promoting the Graduate School of Banking in Colorado were, left: **Norm Skadburg**, IBA trustee and pres., First State, Webster City, with **Kathy Jones**, Boulder, Colo.



ENJOYING First Interstate Bank of Des Moines reception were, from left to right: **Bob Millen**, pres. of host bank and **Happy**; **Jim Eilers**, sr. v.p. of First Interstate; **Marilyn** and **Bill Beohm**, pres., Tama State; **Doug McDermott**, pres., Home State, Jefferson, and **Jan**; **Robert Gulling**, pres., Monroe Sav., and **Chris** and **Randy Steig**, v.p., First Interstate.

Congress. We feel that without these regulations and the Disaster Relief Bill we would have lost an additional number of farmers."

Mr. Cochran added, "All you have to do is look at what happens with ag processing companies and related ag industries to see how important farming is to the entire nation. I don't think the \$3.9 billion price tag on drought relief will help much. What we need is more rain to replace the large deficit in sub-soil moisture throughout the state."

Mr. Furleigh reviewed effects of the 1985 Farm Bill, then discussed in some details the conservation measures being pursued, including the cropland reserve program aimed at putting away up to 69 million acres of highly erodible land. "The initial goal," he said, "is 45 million acres and we are now at 23.5 million acres in the CRP." Mr. Furleigh said one of the current problems facing his department is how to administer the Drought Assistance Act. He said specialists from his staff were attending a meeting in Dallas, Tex., to get details about handling applications.

Lt. Gov. Zimmerman said "we can't really know our losses from the

drought until harvest. Some farms have had their crops wiped out, while others in the same community have fine crops. This creates stress that must be dealt with in the context of community reactions, in which bankers play a great part. We were just thinking about phasing out our 'hot line' but we have informed the Extension Service we will fund it one more year. The state government is on hold looking at the drought until we know the actual effects of the drought and how it affects all services of state government."

FmHA Director Bob Pim said, "We're making progress with the FmHA Disaster Program despite the drought." He noted that "40 percent of farmers in the state have drought insurance and another 40 percent probably wish they did have! FmHA will have a Drought Assistance Program and we'll come in with and behind the ASCS program." Mr. Pim also added, "We will continue to promote the Guaranteed Loan Program. A number of our borrowers will be affected by the restructuring regulations. This means extending longer terms, but mainly writing down

some loans."

Moderator Don Muhm stated, "I think Iowa is the best kept secret around. I am optimistic, for agriculture here is looking better and I have confidence in its return."

An extended question and answer period concluded the Ag Breakfast.

Tuesday Concurrent Sessions

Tuesday morning bankers were once again able to select to attend two of the concurrent sessions offered.

Martha Steincamp, acting regional counsel for the Environmental Protection Agency, Kansas City, Mo., addressed the topic, "Underground Waste Disposal Liability." She advised bankers as to how they can best protect themselves from costly liability of this type.

Acts of banks which may result in liability include: 1. foreclosure on polluted property; 2. taking over management of a debtor with polluted property; 3. obtaining the right to have a third party manage the debtor; 4. installing an agent to take over management; 5. providing payment to other creditors of the debtor.

Ms. Steincamp urged bankers to be careful if a debtor uses hazardous

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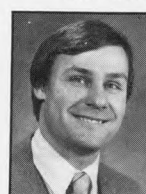
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PICTURED at Security Natl. of Sioux City breakfast were, from left to right: **Florence** and **Ray Erlandson**, pres., Cherokee State; **Gene Hagen**, pres.; **Wilma Weeks**, corr. oper. off.; **Rich Waller**, sr. v.p., and **Karleen**, and **Ron Kiel**, corr. bkg. off., and **Sylvia**, all with Security Natl.



VISITING at Norwest Bank of Des Moines reception were, left to right: **Skip** and **Kim Bright**, v.p., Keokuk Savings B&T; **John Nelson**, chmn. of Norwest Des Moines, and **Kay**; **Ed** and **Martha Johnstone**, pres., Keokuk Savings; **Lynn Horak**, pres., Norwest, and **Charlene**; **Ray Erlandson**, pres. Cherokee State, and **Florence**, and **John Rigler**, v.p., Norwest, and **Cheryle**.



chemicals, or produces them as a by-product. Banks should check if land has been previously used for such purposes or for a landfill or waste site, or if underground storage tanks are present. She recommended considering an "environmental audit" by a qualified expert. Bankers may also seek information on real estate or companies by contacting the Freedom of Information Office at the EPA in Kansas City.

A presentation on Farmer Mac was given by Jeff Rodman, vice president of marketing, MABSCO Capital, Inc., Des Moines. He began by relating figures which indicate higher farm operating loans are predicted for 1989. "Farmer Mac," he said, "is a tool to help us deal with these [increases]."

Regarding the upcoming offering of Farmer Mac stock, Mr. Rodman said banks must own stock to be able to use Farmer Mac, and the stockholders will elect the permanent board, "a very key group of people."

Mr. Rodman recommended that bankers begin to keep an eye out for organizations such as MABSCO and Prudential which will become Farmer Mac loan pool assemblers. "You will have a tremendous

amount of communication with the pool assemblers, not like with Fannie Mae," he said. A main difference will be that pool assemblers themselves will sell loans.

Mr. Rodman went on to relate facts about loan pools and other details of the new secondary market. He closed by urging bankers to look carefully at the stock offering. "If commercial banks don't get involved right now with the development of Farmer Mac," he said, "this tool will be gone."

Dr. Douglas Austin, president of Austin Associates, Toledo, Oh., and his associate Mike Hopson, vice president in charge of the recently-opened Des Moines office, gave a detailed discussion during the concurrent session on "Your Board of Directors and the Credit Review Process." Following an eight-page outline distributed to the overflow crowds in attendance at both sessions, they stressed the responsibilities of directors for knowing their duties specifically in the area of credit—before the loan is dispersed, while the loan is outstanding, and when the loan has to be collected or charged off. Dr. Austin and Mr. Hopson went into detail about the documents directors

should have from bank management for proper review of loans, and also added a sample board meeting agenda.

In her concurrent session on "Managing Relations with Bank Regulators," Attorney Mary E. Curtin of Minneapolis used a detailed outline that was distributed to all bankers at this well-attended session. This covered such items as formal and informal enforcement actions, the CAMEL rating system, provisions generally found in Cease and Desist Orders and/or Written Agreements, factors to remember in dealing with enforcement actions, and common misimpressions of such actions.

Also popular among attendees was the "Negotiating Skills for Bankers" session presented by consultant Art Pulis of Durango, Colo.

50-Year Bankers Lunch

Oliver Hansen, chairman of the Liberty Trust & Savings Bank, Durant, presided at the IB 50-Year and Past Officers Club. He told the large crowd of veteran bankers, "If this group had written the book on Ag Credit from its experiences, and it had been mandatory reading for bankers, the

Rob. Ron. Louis. Shirley. Joe. Jim.



Left to right: Rob
hooksey, Marketing
Representative;
Don Monahan,
Marketing Officer;
Louis Holmes,
Marketing Represent-
ative; Shirley
Heishman, POS/
ED Coordinator;
Joe Ehlers, Market-
ing Representative
and Jim Mrazek,
Marketing
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LEFT—Bill Brenton (second from left), chmn. Brenton Bank, Des Moines, and Dick Jacobson (second from right, pres. of Jacobson Wholesale and dir. of Banks of Iowa), were among guests at LaSalle Natl. of Chicago luncheon hosted by Del Rogers (left), v.p.; Nick DeLeonardis (center), sr. v.p., and Wayne Bismarck (right), v.p. **RIGHT**—Northern Trust of Chicago dinner hosts included (at extreme left) Mark Short, 2nd v.p. and Mike Kubacki (rear), v.p. & div. head, and Gigi Short, with guests Jack Rigler, pres., Central State, Muscatine, and June; Scott Fetner, pres., Natl. Bank of Waterloo, and Joanne; Mitzi and Nick Schrup, chmn., American T&S, Dubuque, and Dick Summerwill, pres., Iowa State B&T, Iowa City.



Farm Credit System, regulators and Congress, we wouldn't have had the troubles we've gone through." After lengthy meetings by the nominating committee (of at least three minutes), Joe Gronstal, director and former president and chairman of the Carroll County State Bank in Carroll, was designated to succeed Mr. Hansen as president of this prestigious group for the coming year. His duties will consist of presiding at the 1989 convention luncheon.

Closing General Session

Tuesday afternoon's general session opened with a presentation by Shelburn Wilkes, Wilkes Management Associates, Orlando, Fla., entitled "Parade of Presidents." Mr. Wilkes is an expert on American presidents and amused his listeners with an anecdotal trip from George Washington to Ronald Reagan.

IBA Executive Vice President



Don Muhm, Des Moines Register farm editor, moderated the ag panel.

and CEO Neil Milner next addressed the convention. He lamented banking legislation currently before Congress, saying banks have "no good options in Washington." He also called for unity in the banking industry, stressing that unity exists on all the important issues. He urged bankers to be persistent in contacting their legislators, saying, "We do have a lot of friends in the legislature, on both the state and national levels, and we need to not be timid in telling them what we want."

Alan Tubbs, president and CEO of First Central State Bank, DeWitt, relayed highlights of the ABA's FSLIC Oversight Committee Report. He told bankers that the solution to the FSLIC problem is not simple recapitalization, but will require insurance reform. He agreed with Charles Pistor's earlier comments that the banking industry will be involved in the resolution of this problem.

O. Jay Tomson, chairman and CEO of Citizens National Bank, Charles City, shared his reflections on the matter of the FSLIC. He said, "The desire to clean up this mess does not exist to an equal degree among all the players. Those of us with a strong interest in the outcome must stand watch... We should not stand ready to inherit something that is less than acceptable."

Mr. Tomson set forth five accomplishments toward which he feels the banking industry must work: 1. equal capital requirements for all players; 2. equal accounting practices for all players; 3. equal regulation for all players; 4. equal taxation for all players; 5. a com-

plete re-examination of deposit insurance.

The afternoon session closed with keynote speaker Carl R. Pohlad, president of Marquette Bank Minneapolis. Mr. Pohlad opened with reminiscences of his youth in West Des Moines, and went on to share the principles which have brought him success in banking.

"Don't get fancy with your banking services," he said. "You have to get to the people. Banking is a people—people—people business." He related his commitment to visit personally with customers daily at the bank and exhorted his audience, "Know your customers... you say, 'I know, I know!' but you don't do it!"

Mr. Pohlad described his bank's position, ranked third in the Twin Cities, as one which requires not being all things to all people. "We defined our market niche and try to reach it—and work at it," he said.



Bob Pim (left), FmHA Iowa st. dir., was awarded a plaque at the Ag Breakfast for distinguished service by **Chuck Souder** (center), retiring Ag Comm. chmn. and v.p., 1st Sec. B&T, Charles City, and **Jeff Plagge**, new Ag Comm., chmn. and exec. v.p., St. State, Webster City.

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LEFT—Hosts at FirstTier Bank of Omaha luncheon included, from left: **Gene Noell**, v.p.; **Dick Yeshnowski**, v.p.; **John Wear**, a.v.p.; **Joan Ingram**, inv. off., and **John Clements**, v.p. **RIGHT**—**Scott Fetner** (center), pres., Natl. Bank of Waterloo, visits with **Bob Jamerson** (left), architect, and **Bob Buckley** (right), pres., of Kirk Gross Co., Waterloo.



AWAITING the crowd arrival for the Sunday evening "Court Avenue Experience" were, from left: **Mike Hopson**, v.p., Austin Associates, Des Moines, with **Sharon Sievers**; **John Sorensen**, v.p.; **Wes Ehrecke**, sr. v.p., and **Barb Lowe**, convention coord., all with IBA. **RIGHT**—Other IBA staff members take a well-deserved break between sessions at the convention center.



But most important, he emphasized, are the fundamental skills of banking. Mr. Pohlad told his audience the key to success is to train your people in the basic skills they need, and retrain them often. His maxim: "Teach your employees the fundamentals over and over."

Inaugural Dinner and Show

The Inaugural Dinner and Show Tuesday evening at the Marriott Hotel was an elegant affair. John K. Hanson, chairman of Manufacturers Bank & Trust in Forest City, and his wife, Louise, provided beautiful flowers for each of the several hundred ladies in attendance.

Retiring President Clair J. Lensing presided at the dinner to install the new officers. Incoming President Don Snyder presented a gift to Clair and his wife, Mary, from the IBA—a beautifully framed litho of a Maynard Reese wildfowl painting.

Mr. Snyder stressed three areas of strategic concern to the members of the IBA. First, he said, "we all need to be involved in planning, especially in our legislative efforts. As

bankers, we have no choice but to be

involved to make our voices and our opinions heard. Second, we must pursue strongly our programs of education and training. Third, membership products and services is an area that will be reviewed often to make sure we are meeting the timely needs of member banks. Last, we will continue studying the association structure to make sure it maximizes your investment with IBA."

Mr. Snyder began his brief prepared remarks with this Irish toast: "May you have the hindsight to know where you've been, the foresight to know where you're going, and the insight to know when you're going too far."

After reviewing briefly the accomplishments of the IBA in its first 100 years, he stated, "Our hindsight is good. Our foresight is our strategic plan which is reviewed annually and will be updated. This calls for several special efforts."

Referring to insight, Mr. Snyder said, "It's possible to go too far. This is a world of tradeoffs, compromises, and, sometimes, injustices. If you think the IBA leader-

ship is going too far, tell us. You should also recognize that making no decision at all is improper. I firmly believe you and I have a strong obligation to use the best of our abilities in making your association better to serve you and our bankers."

Promoted in Sibley

Harris J. Kruse has been promoted to executive vice president of the Sibley State Bank. He has been with the bank for eleven years, first as a trainee, then as assistant vice president, and most recently as vice president and cashier.

Mr. Kruse succeeds Michael Muelendorf, who is now serving as president of Washington County Bank, Blair, Neb.

Promoted in Osceola

At Clarke County State Bank, Diane Ogbourne has been promoted to personal banking officer and marketing director. She has been with the bank for ten years and has been a customer service representative for the past eight years.

IBIS Celebrates 10th Anniversary



CELEBRATING the Ten Year Anniversary of Iowa Bankers Benefit Plan last month in Des Moines were, from left: **Juanita Fulster**, a.v.p.; **Frank Gleeson**, pres.; **Chris Wehde**, a.v.p.; **Martha Fering**, group claims, all with IBIS, Inc., Des Moines; **Neil Milner**, exec. v.p., IBA, and **Sylvia Richards**, billing processing, IBIS, Inc. Also enjoying the reception were from left: **Larry Gille**, v.p.; **Jim Jensen**, v.p.; **Merritt Krause**, v.p., all with IBIS, Inc., and **Wes Ehrecke**, sr. v.p., IBA, Des Moines.

ITS Bill Payer Introduced

Dale Dooley, president of ITS, Inc., and other staff members were in Iowa City recently to demonstrate SHA-ZAM Bill Payer, a new service. Over one thousand University of Iowa students have signed up for the program, which will enable them to pay their education bills with their ATM cards. This is the first time such a service has been offered in the United States.



D. DOOLEY

At first, Bill Payer will be restricted to ATMs and similar terminals at supermarkets, retail centers and financial institutions. The program will be expanded over time, as utilities companies and others who bill regularly are signed up with the service. Eventually special Bill Payer terminals will be installed as well.

Conrad, Melbourne Banks Announce Merger

James J. Molloy, president and CEO of the First State Bank, Conroy, has announced that the merger of the Melbourne Savings Bank into the First State Bank was completed on September 1. Melbourne will be operated as a full-service office and will be managed by Ron Kemmerer,

vice president.

Ken Michels was recently added to the Melbourne staff as assistant vice president and ag loan officer. Daryl Stalzer will continue as manager of the S & M Insurance Agency in the Melbourne office.

The merger brings the total assets of First State Bank to \$37.5 million.

Waterloo Banker Graduates From Boulder School

John W. Rathjen, vice president

at Peoples Bank and Trust Company of Waterloo, has completed the final year of the Graduate School of Banking, held at the University of Colorado, Boulder. He was among more than 460 students attending the 38th session of the school.



J. RATHJEN

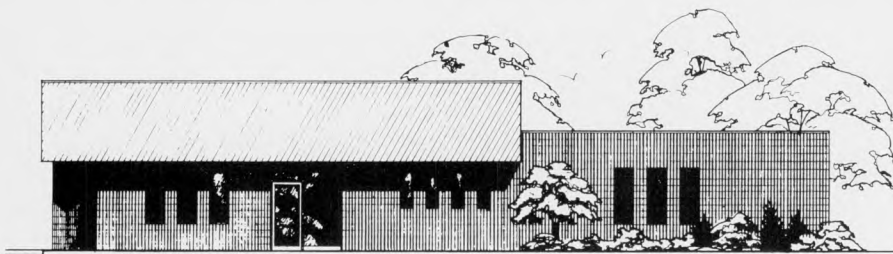
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IOWA BANKERS ASSOCIATION

Libertyville Bank Remodels



CONSTRUCTION has begun on a major remodeling project for Libertyville Savings Bank, according to President **Robert Stump**. An addition to the west side of the bank will double the size of the building. The expansion will give the bank four private offices, a conference room, a serpentine teller line with six teller openings, and a sit-down station, with additional vault storage space in the basement, an expanded waiting area, and expanded parking facilities. Office Concepts, Ltd., specialist in the design and development of financial institutions, is in charge of the turnkey project. It should be completed by the end of the year, according to Office Concepts Vice President **Ross Schoonover**.

Named SBA Director for Cedar Rapids District

James N. Thomson has been named district director of the U.S. Small Business Administration's Cedar Rapids office, effective October 10. He is responsible for SBA's finance and investment, business development, procurement assistance, minority small business and advocacy outreach.

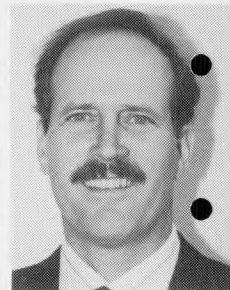
In this position, he will supervise 18 employees and SBA activities in Eastern Iowa. He had been regional administrator for Region V in Chicago and responsible for Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin for two years.

Immediately prior to becoming regional administrator, he was the district director of the Minneapolis office. He also has served as branch manager in Springfield, Ill., and as

associate administrator for management assistance in SBA's Central Office in Washington, D.C. Mr. Thomson joined SBA in 1982.

Elected in Muscatine

Richard J. Pilcher has been elected senior vice president/senior trust officer of the First National Bank of Muscatine. For the past five years, he has been the senior trust officer at the Farmers and Merchants Bank and Trust in Burlington. Prior to that time, he was in private law practice in Grundy Center.



R.J. PILCHER

D.M. Lamb Dies

D.M. Lamb, director of the City State Bank of Madrid, died of a heart ailment on August 22. He was 64. He retired from the bank as vice president and cashier on December 31, 1987, after spending his entire banking career of 41 years with the City State Bank.



D.M. LAMB

Mr. Lamb was raised in Boone and graduated from Boone High School in 1942. He then attended Coe College, Cedar Rapids. During World War II, he served as a lieutenant in the U.S. Army.

Mr. Lamb joined City State Bank in 1946 as a bookkeeper. He was promoted to assistant cashier in 1948 and to cashier in 1957. He was a director since 1960 and vice president since 1965.

In 1957-58 Mr. Lamb served as president of the Des Moines Chapter of the National Association of Bank Auditors and Controllers (now the Bank Administration Institute). He was active in numerous civic and church organizations.

Surviving are his wife, Gloria; his daughter, Sandy, and his son, Steve. Sandy is customer support officer of First Interstate Information Systems of Iowa, Inc., Des Moines. Steve is senior examiner in the Atlantic Field Office of the Iowa Division of Banking.

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● Davenport Bank & Trust Hosts Reception and Dinner



400 BANKERS and guests from Iowa and Illinois were in attendance last month for the Davenport Bank & Trust Co. correspondent reception and dinner. This annual event was held at the Black Hawk Hotel in Davenport, with a reception followed by dinner and dancing. Enjoying the evening were, from left: **John Benner**, chmn. & pres., and **Marilyn Evans**, v.p., Bradford Banking Co., with **Judy** and **Michael Bauer**, 1st v.p., host bank. Also present were, from left: **Martha** and **Edward Johnstone, II**, pres., Keokuk Svgs. B&T Co.; **Colleen** and **Gerry Huiskamp**, chmn. & pres., Blackhawk State, Milan, Ill., and **James Figge**, off. of pres., host bank, with his wife, **Sandra**.

IBA Consumer Services Conference To Be Held October 18-19

THE Iowa Bankers Association will present "Consumer Bankers Know the Score," the 1988 Consumer Services Conference, on October 18 and 19. It will be held at the Marriott Hotel in Des Moines.

Featured speakers at the conference will be Dennis and Niki McCuiston of McCuiston & Associates, Irving, Tex. Also appearing will be Dr. Willie Staats, professor of banking and finance, Louisiana State University, Baton Rouge; Tom Flynn, Des Moines attorney, and Randy Mascarella, assistant women's basketball coach at Iowa State University.

A special "tailgate party" for participants will be sponsored by Iowa Bankers Insurance & Services.

The complete agenda follows:

Tuesday, October 18

A.M.

8:00 Registration.

9:00 Welcome and introductions: Nancy Dunkel, IBA consumer service committee chair and vice president and senior loan officer, Farley State Bank.

9:15 "Game Plan for the '90s"—Dennis McCuiston.

10:45 "Tackling the Competition"—Dennis McCuiston.

A.M.

12:00 Luncheon; presentation on IBA's annual Consumer Credit School.

1:30 "Customer Service/Concept

of Market Driven"—Niki McCuiston.

"They're Number One!" presentation on customer service—Niki McCuiston.

2:45 Concurrent sessions:

"Variable Rate Lending"—Dennis McCuiston.

"Preparing for the Compliance Exam"—speaker to be announced.

"Making Sales Calls/Incentives"—Niki McCuiston.

4:00 Concurrent sessions repeat.

5:00 Tailgate party sponsored by IBIS.

Wednesday, October 19

A.M.

8:00 Continental breakfast.

9:00 "Negotiating Skills"—Dr. Willie Staats.

11:00 "Lender Liability—Calling the Right Signals"—Tom Flynn.

P.M.

12:00 Luncheon—"You Can Be A Winner"—Randy Mascarella.

1:30 "Ways to Win 'Em Over"—Dr. Willie Staats.

3:00 Adjournment. □

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IBIS Annual Golf Outing Held



IOWA Bankers Insurance & Services, Inc. held its Eighth Annual Golf Stag last month in various locations across the state. IBIS, in conjunction with The Credit Life Insurance Company of Springfield, Ill., sponsored the event in three Iowa cities: Cedar Falls, Ottumwa and Carroll. Excellent participation and good weather marked this year's event.

Pictured above at the Beaver Hills Country Club in Cedar Falls are, from left: **John Stull**, v.p., Lincoln Svgs., Reinbeck; **Lynn Bonjour**, v.p., Home Tr. & Svgs., Osage, and **John Hudson**, a.v.p., The First Natl., Waverly. Also pictured, from left, are: **Charles Yagla**, data proc. off., Natl. Bank of Waterloo; **Gary Livesay**, v.p., IBIS, Inc.; **Bob Bellis**, v.p., Fairbank St., and **Jack Hawks**, v.p., The Credit Life Co. ●

Changes Told in Farley

The following promotions and staff changes have been announced by the Farley State Bank:

Nolan L. Ford has been promoted to assistant ag loan officer. He has been with the bank since February, and prior to that worked for a year and a half with the Farm Credit Services in Webster City and Nevada.

Kenneth J. McDermott has joined the bank in the teller and operations department. He is a recent graduate of Cornell College in Mount Vernon.



N.L. FORD



K.J. McDERMOTT



P.J. TRUMM



N.J. SCHMITT

Patricia J. Trumm has been promoted into the installment loan department. She will also be in charge of student loans.

Nancy J. Schmitt, who works at the bank's Holy Cross facility, has been promoted to manager there.

Elected in Eldora

Jim Brown has been named president and acting chairman of the board of Hardin County Savings Bank. He succeeds his late father, Robert B. Brown, in both positions.

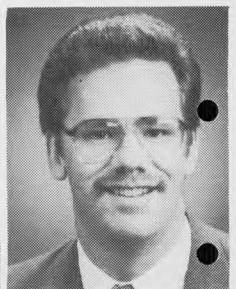
Jim Brown joined the bank in 1974 and has spent the last six years serving as executive vice president.

Sioux City Bankers Complete Graduate School of Banking

Debbie D. Smith, assistant vice president, and Ronald A. Jorgensen, controller, of First National Bank in Sioux City, have completed their final year of the three-year Graduate School of Banking, Boulder, Colo.



D. SMITH



R. JORGENSEN

Both bankers won honors for high exam scores. In addition, M. Jorgensen was a member of the winning bank simulation team.

Promoted in Dubuque

Robert D. Anderson, Jr. has been promoted to assistant vice president, marketing of Dubuque Bank and Trust Company. He joined the bank in 1987. Prior to that, he was employed at Lange Insurance Co., Inc. as sales manager. His background includes eight years in insurance sales and management.



R. ANDERSON, JR.

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● Promoted in Burlington

C.H. Walsh, president of Farmers & Merchants Bank & Trust, has announced promotions and re-assignments in officer personnel.

- Leonard W. Lane, formerly vice president and comptroller, has been elected vice president and trust officer.

- William A. Kuehn, vice president and farm representative, has been promoted to vice president and senior loan officer, and will continue his responsibilities as head of the farm department.

- Russell E. Larson, assistant vice president, has been transferred to the commercial loan and real estate loan departments, having previously served as commercial loan officer.

● ASPA Plans Iowa Conference

The second annual State Conference of the American Society for Personnel Administration will be held at the Marriott Hotel in Des Moines on November 9 and 10.

General session presenters include Thomas G. Kelley, vice president—human resources at the Benjamin Franklin Savings and Loan Association of Portland, Ore.; Gwen L. Stern, Midwest regional director for the Wyatt Company; Jeff Hallett, president of TRAC, Inc.; and Dr. L. Robert Keck, president of Boulder Graduate School.

For more information, contact Sharon Ward, ASPA/Iowa '88, c/o Holmes Murphy, 420 Keo Way, Des Moines, IA 50309.

● Appointed in Ankeny

John "Swede" Lundstrom has been appointed to the board of directors of Hawkeye-Ankeny Bank & Trust. He is manager of Iowa Realty's Ankeny office. He served for eight years as an Ankeny City Councilman, and currently serves as first vice president and president-elect of the Ankeny Chamber of Commerce.

● Retired in Wyoming

Lucile J. Von Sprecken has retired from Citizens State Bank, Wyoming, after 30 years of service. She held the offices of vice president and cashier at the time of her retirement.

Geraldine F. Levsen has been promoted to vice president and cashier of the bank.



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Des Moines

Hunter R. Rawlings III, president of the University of Iowa, has been elected to the board of directors of Norwest Bank Des Moines, N.A. He became the 17th president of the University on August 1, succeeding James O. Freedman.

John F. Ambrosion was recently elected first vice president at West

Des Moines State Bank, West Des Moines, by its board of directors. Mr. Ambrosion previously served as a second vice president in commercial lending at Norwest Bank Des Moines, N.A.



J.F. AMBROSION

ACROSS THE DESK...

(Continued from page 9)

This October issue you are reading will be the last one under the name of the NORTHWESTERN BANKER. Our sale contract was effective as of October 1, 1988, but I will continue publishing the NORTHWESTERN BANKER *Weekly Newsletter* through the month of October for Paul. That last issue will be mailed October 28. That will be exactly 43 years from the time I started work here on October 29, 1945. I have been asked by Paul to continue writing a monthly feature article or editorial for at least the coming year, which I plan to do.

It is natural, I suppose, at a time like this, to reflect on the many events of one's career; however, such thoughts on 43 years in this dynamic, changing business would fill a book. The over-riding memory I can carry with me always is one of the so many good and capable people we've known in the banking industry.

These include ones who manage small banks exceedingly well, and others who manage large banks exceedingly well—the size made no difference; it was the high quality of individuals that stands out. From these, my wife and I have been greatly blessed with many cherished friendships which will stay with us always.

The riches of this world may elude me, but I am wealthy in the knowledge that so many friends like you share the same lofty goals of conduct espoused in the "Credo" of my Alma Mater, Creighton University in Omaha. That Credo begins with "We believe in God," continues through several short statements relating to the dignity and responsibilities of each person, then concludes with this statement: "We believe, briefly, in the teachings of Christ, who held that morality must regulate the personal, family, economic, political and international life of men if civilization is to endure."

For your friendship and your loyal readership these past 43 years,

you have my heartfelt gratitude. My only request is that you give Paul and his associates the same opportunity to know you and serve you with a high quality magazine.

My last grateful acknowledgment goes to my wife, Peggy, my partner for 45 years next February 26. She has given purpose to my work, sound counsel at critical times, and guidance to our three sons and two daughters when my work was demanding. I know that it was because of her that we have the gift of so many personal friendships among you. She has truly been a partner and she joins me in this wish that our paths may cross often in the future. Vaya con Dios!

Ben Haller, Jr.
Publisher

CHICAGO NEWS...

(Continued from page 38)

was with the Chicago Fed for 41 years.

Marie A. Fotino has been named assistant vice president of financial services at Avenue Bank of Oak Park. She joined the bank in 1971 as a teller. She has held a variety of positions, including financial service officer, which she has held since 1986.

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