

NORTHWESTERN Banker Newsletter

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May 15, 1978

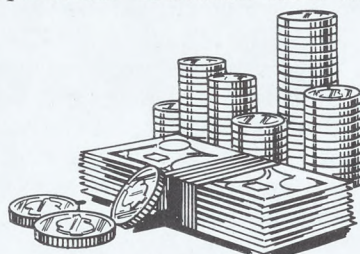
Says Liquidity Won't Defer Higher Rates

CORPORATE financial officers cannot take it for granted that the economy can be insulated from higher interest rates because of the sizable liquidity holdings which have been built up over the last three years, according to James McKeon, vice president and senior capital market analyst of Salomon Brothers, international investment banking firm.

Speaking at a May 4 Colorado Bankers Association meeting in Denver, Mr. McKeon said that rather than protecting corporations from a rise in interest rates, the likely effect of a liquid position is that it will tend to give endurance to economic activity which it would not otherwise possess in the face of rising interest rates and market rationing. In this way, liquidity preference may have the effect of making interest rate pressures higher in 1978 than they might otherwise have been.

The build-up in liquidity has been dramatic. "Since the end of 1974, the overall percentage growth in liquid asset holdings has far exceeded that for either national product or wealth," Mr. McKeon stated. In 1976, private sectors were marked by especially strong drives to rebuild financial solvency and liquidity and to defer spending and borrowing. Treasury debt

owned by the public rose 60% between year-end 1974 and year-end 1977. Non-financial business corporations increased their hold-



ings of U.S. Treasury debt several times over from \$5.3 billion in 1974 to \$13.8 billion in 1977.

Mr. McKeon pointed out that the improvement in liquidity has extended to other important private sectors as well. Households added 48% to their holdings of cash, savings deposits and short-term securities, while commercial banks increased their liquid asset holdings by 33%. "Major thrifts added some 65% to their holdings of liquid assets in the same period," he added.

As the financial recovery becomes less restrained, the tendency to borrow for consumption will begin to catch up with the tendency to defer consumption. "The prospects are almost certain that in 1978, very substantial demands will be made on bank loan capacity by business, non-bank finance and

installment and mortgage borrowers," Mr. McKeon added.

As an example, he used the housing industry where the demand for single family properties is unimpaired, but a decline in single family housing starts is anticipated, compared to 1977. "The problem is that savings inflows into the biggest private mortgage investors, thrifts, are under severe pressure because of high rates of return available on competing open market instruments," he said.

However, the thrifts already have a high proportion of their savings accounts in high return categories as well as the established market for non-guaranteed, mortgage-backed securities. Finally, they have built up liquidity and can draw on that for the demand for loans, he said.

When corporations seek to make capital investments or otherwise expand business operations, they will use liquidity, Mr. McKeon stated. Even if they dip into their liquid assets instead of increasing their borrowing, they will be just one of many sectors attempting to spin off liquidity.

In conclusion, while confirming that readily convertible assets will provide business corporations a certain flexibility in expanding operations, Mr. McKeon warned that the exercise of that sort of option will be expensive.

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Iowa News

AMES: James W. Eiler joined University Bank & Trust Company May 15 as assistant vice president. He resigned as correspondent bank representative of the First National Bank of St. Paul, Minn., to accept the appointment. Mr. Eiler is a graduate of Iowa State University at Ames.

BELMOND: Grace Janson has been elected assistant cashier and loan officer of the First State Bank.

DeWITT: Richard Kelly has joined the loan department of DeWitt Bank and Trust, replacing Tom Casad, who resigned to enter farming. Mr. Kelly has experience

with the Union Savings Bank in Grand Mound and the First National Bank of Clinton.

MT. PLEASANT: Final arrangements are being made for the Group 11 Sports Day on Wednesday, June 14. Golf will be played at the Mt. Pleasant Golf and Country Club on the west edge of the city, and dinner will be served at 6 p.m. Costs will be: golfers—\$17.50, and non-golfers—\$12.50. Register with James E. Henss, assistant cashier, Henry County Savings Bank, P.O. Box 230, Mt. Pleasant, Iowa 52641.

PRINCETON: Glen H. Suiter has announced the election of Gerald R. Waters, 44, as president of the Farmers Savings Bank here and the Le Claire State Bank of Le Claire. Mr. Waters, who is presently senior vice president of Davenport Bank and Trust Company, will take up his new position July 1. Mr. Suiter, 55, was president of both banks and will continue as an active officer as chairman of the two banks. He succeeds Wesley C. Schmalz as chairman. Mr. Schmalz retired last month and was recognized for his 35 years of service on the board. He was named honorary chairman of the banks.

TIPTON: Richard L. Lehmeier, cashier and assistant trust officer of Tipton State Bank, has been appointed to the bank's board to fill the vacancy created by the death of Charles Gibbons. Mr. Lehmeier has been with the bank since 1966.

WASHINGTON: The Federal Reserve Board has approved the acquisition of The National Bank of Washington by Hawkeye Bancorporation. The bank, which has offices in Washington and Ainsworth, has assets of \$30 million and will bring total assets of Hawkeye to the \$700 million level. Hawkeye will have 18 subsidiary banks in 45 locations.

Bankers Service

LOAN ACTIVITY BULLETIN

Who: names of all debtors in the county recorded during the period
What: name of secured party
When: the date the loan was filed with the Secretary of State
Where: location where loan made



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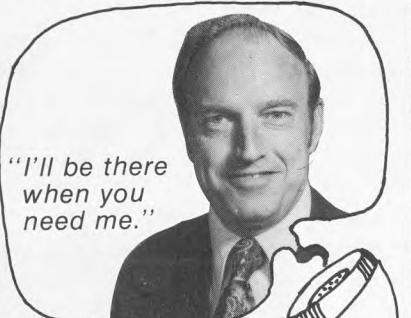
Nebraska News

CLARKSON: Steve Pribnow has joined the Clarkson Bank. Mr. Pribnow, a certified public accountant, previously was with Philip G. Johnson and Co., CPAs for four years in Fremont.

LINCOLN: NBC Co. has announced the resignation of Roger L. Gohde, senior vice president, to pursue private business interests. Mr. Gohde most recently was responsible for overseeing Lincoln Bank South and Lincoln Bank East. Also, Lincoln Bank South has announced the resignation of its president, Richard L. Kearns, to pursue private business interests. He joined the bank when it was first organized in 1965 as cashier and was elected president in April of 1977.

LINCOLN: Stockholders of NBC Co. and its affiliated holding companies which own 11 banks in eight Nebraska communities ap-

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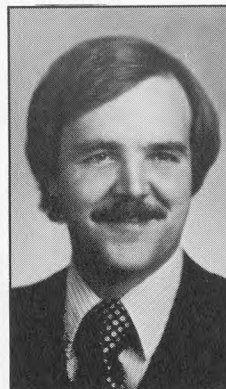


Ben Eilders, Senior Vice President



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NEW ISSUE

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\$18,685,000

ROSEMOUNT INDEPENDENT SCHOOL DISTRICT NO. 196, MINNESOTA

General Obligation Bonds of 1978

Dates: June 1, 1978

Denomination: \$5,000

Both principal and semiannual interest (August 1 and February 1, first coupon due February 1, 1979) payable at the Northwestern National Bank of Minneapolis, Minneapolis, Minnesota.

IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXES.

MATURITIES

<u>5.40%</u>				<u>5.50%</u>		
\$ 85,000	February 1, 1981	4.60		\$1,300,000	February 1, 1991*	5.40
	<u>5.50%</u>			1,300,000	February 1, 1992*	5.50
500,000	February 1, 1982	4.70			<u>5.60%</u>	
700,000	February 1, 1983	4.80		1,300,000	February 1, 1993*	5.60
1,000,000	February 1, 1984	4.90			<u>5.70%</u>	
1,100,000	February 1, 1985	5.00		1,300,000	February 1, 1994*	5.70
1,200,000	February 1, 1986	5.00			<u>5.80%</u>	
1,500,000	February 1, 1987	5.10		1,500,000	February 1, 1995*	5.80
1,300,000	February 1, 1988	5.20			<u>5.90%</u>	
1,300,000	February 1, 1989	5.25		1,500,000	February 1, 1996*	5.90
1,300,000	February 1, 1990	5.30		500,000	February 1, 1997*	5.90

*Optional in inverse order beginning February 1, 1990 at 100%.

LEGALITY TO BE APPROVED BY DORSEY, WINDHORST, HANNAFORD, WHITNEY & HALLADAY, ATTORNEYS, ST. PAUL, MINNESOTA.

Rosemount Independent School District No. 196 is located in north central Dakota County which is part of the Minneapolis-St. Paul Metropolitan Area. The School District serves all or portions of the following nine municipalities in Dakota County: Apple Valley, Burnsville, Coates, Eagan, Empire Township, Inver Grove Heights, Lakeville, Rosemount and Vermillion Township. Larger employers located in the District include: Sperry-Univac (electronic computers); Burnsville Shopping Center; ISD No. 196; Blue Cross-Blue Shield (headquarters); U. S. Postal Service (regional bulk mail); Koch Refinery (petroleum); Economics Laboratory (research); Brockway Glass Co. (bottles & jars); Donaldson Co. (air cleaning); American Fruit & Produce; Lull Engineering Co. (lift equipment); Brown Tank & Engineering Co. (storage tanks); Cenex (fertilizer); Grief Bros. Corp. (multi-wall bags); Northern States Power (transmission facilities); 3M Company (warehouse & offices); Northern States Concrete Co. (culverts) and West Publishing Co. (warehouse). The largest concentration of employment in the District is at the Burnsville Shopping Center which is one of the largest shopping centers in the Upper Midwest. Total employment is currently estimated at 2,000, and upon completion, the Center is expected to provide employment for approximately 4,000 persons.

These bonds were authorized at a special election held March 11, 1978. The proceeds of this issue will be used to acquire land, construct three new school buildings and make additions to an existing building. In the opinion of counsel, these bonds are legal and binding general obligations of Rosemount Independent School District No. 196, Minnesota, and all taxable property located therein is subject to the levy of sufficient taxes to pay the principal of and interest on the bonds without limit as to rate or amount.

FINANCIAL STATEMENT

Market value of taxable property, 1977	\$580,028,092
Assessed value of taxable property, 1977	149,224,095
Net direct debt, including this issue	39,633,983
Total net direct & overlapping debt	68,843,353
Population, 1977 estimate: 37,500	
	Direct debt per capita: \$1,057.00
	Total debt per capita: 1,836.00

Tax collections have approximated 98.2% of taxes levied for the past three years.

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- #4435—Asst. Vice President—12 yrs. of experience in small rural bank. Handle loan portfolio comprised mostly of Ag and consumer credit. Also responsible for operations and insurance agency \$22,000
- #4492—Vice President—over 15 yrs. experience. Responsible for Agri-Business Dept. with credits ranging to \$2MM. Assist Trust Dept. with farm management. Degree \$21,000
- #4476—Branch Manager—responsible for entire operation of full service branch. Bulk of credit is agricultural but have experience in instalment, real estate, and SBA loans; five yrs. banking and some insurance licenses \$17,000
- #4488—Senior Officer—experience includes small and medium size banks with emphasis on Ag credit. Also familiar with commercial and real estate loans. Has some operations background \$26,000

OPERATIONS

- #4474—Examiner—9 yrs. with state examination dept. Specialist in EDP audits. Degree and CFE certification. Good potential \$17,000
- #4408—Cashier—started as management trainee. Presently handles all internal operations, reports, and daily investment of funds. Also processes and services commercial and real estate loans. Degree \$17,500
- #4457—Operations Officer—in charge of accounting, bookkeeping, purchasing, and data processing for \$35MM bank. Has done system and programming work; 8 yrs. of banking \$20,000
- #4480—Junior Officer—3 yrs. of banking includes cashier duties, supervision of teller and bookkeeping personnel. Reconciliations, internal reports, customer service, and detached facility supervisor. Degree \$14,000

COMMERCIAL LOAN

- #4406—Junior Officer—Degree and formal credit analysis experience. Managed credit dept. and supervised loan processing. Presently loan officer in real estate dept. \$16,000
- #4487—Asst. Vice President—over 10 yrs. with \$60MM bank, handling commercial and real estate loans. Supervise public relations program. Previous duties include instalment and farm loans. Degree \$22,000
- #4469—Vice President—6 yrs. with suburban bank; 3 yrs. in commercial loans. Accounts receivables, inventory, capital financing, and SBA credits. Very active in business development. Degree \$22,000
- #4421—Senior Loan Officer—administrative duties including final authority on new large credits. Supervise officer call program. over 15 yrs. experience with all types of credits. Degree \$30,000

CHIEF EXECUTIVE OFFICERS

- #4418—Exec. Vice President—10 yrs. with \$30MM rural bank with trust and farm management operations. Management responsibilities include commercial, consumer, agri, and real estate credits. Degree \$26,000
- #4360—Exec. Vice President & Cashier—operations and lending background in small to medium sized banks. Active in developing marketing and advertising programs. Presently managing \$5MM bank \$22,000
- #4471—Vice President & Director—15 yrs. with \$35MM rural bank. Has served in various capacities in all depts. Presently supervising operations, with commercial and ag credit duties \$35,000

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Supplement to the Northwestern Banker Newsletter 5-15-78

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proved at the annual meetings last week a corporate name change to Commerce Group. Effective immediately the corporate name Commerce Group will be applied to each of the holding companies. Individual bank names will not be affected.

OMAHA: Thomas H. Allen has been named president of The Omaha National Bank, it was announced last week by John D. Woods, who will continue as chairman and chief executive officer of the bank and Omaha National Corporation. Mr. Woods also held the title of president for the past year. Mr. Allen, 51, is moving to Omaha from Boise, Idaho, where he has been executive vice president of the Idaho First National Bank.

SCHUYLER: The Schuyler State Bank has received approval for a detached auxiliary teller office to be located at 510 West 16th Street.

Minnesota News

BABBITT: Peter L. Hollister has been elected president and managing officer of the First State Bank. He succeeds D. Jack Robertson who has been elected president and managing officer of the Granite City National Bank of St. Cloud, a new bank scheduled to open in early summer. Mr. Hollister formerly was vice president of the First Bank of Rolla, N.D.

BOYD: Kathleen Michaelson has joined the State Bank of Boyd as assistant cashier. She formerly was a loan and marketing officer at St. Anthony Park State Bank in St. Paul.

BRAINERD: Citizens State Bank has announced the following promotions: Ron Hart and Karen Owen, to real estate loan officers, and Rodney Rangen and Reed Campbell, to instalment loan officers.

DULUTH: Gunder Schwanz has been named vice president of the Western National Bank.

FERGUS FALLS: Bruce Meyer has joined the First National Bank as assistant vice president in charge of instalment loans. He previously held a similar position with the Commercial Bank of Mitchell, S.D., for the past 10 years.

HIBBING: First National Bank has announced the promotions of John Gillis to personal banking officer, and Carol Olson to personal banker.

HOPKINS: Doug Meyer, vice president of the Northwestern Bank here, has been appointed manager of the bank's satellite office at the intersection of Valley View Road and County Road 18 in Edina. Del Smith, instalment loan officer, has been named assistant manager.

LUVERNE: Paul R. Hanson has been appointed operations supervisor at the First National Bank. He had been with the First National Bank in Mankato since 1976.

MAPLE GROVE: Thomas W. Klick was elected commercial loan officer of the Northwestern Bank Northwest.

ST. PAUL: George D. Howes has been named vice president of

lending at the Capital City State Bank. He had been with the Marquette National Bank of Minneapolis.

WILLMAR: The National Labor Relations Board hearings held at the courthouse here May 4 and 5 were adjourned the morning of the second day because the hearing judge was called to Washington. The case is one brought by eight women employees of Citizens National Bank who have been striking since December 19, claiming sex discrimination and improper base pay levels. The hearing is to reconvene here June 20.

Colorado News

DENVER: United Bank of Denver has announced the appointments of Neil E. Allen, Alen D. Linton and Faris D. Weber as vice presidents. Mr. Allen is in the agribusiness department; Mr. Linton, the enterprise division, and Mr. Weber manages Master Charge activities.

ENGLEWOOD: C. Michael Scara-fiotti was elected cashier of Republic National Bank.

FORT COLLINS: Gary McCarthy was appointed a commercial loan officer of the First National Bank.

PUEBLO: James A. Kenyon II was named president and chief executive officer of the Republic National Bank. He formerly was president of the Central Bank of Montana in Great Falls.

SOUTHGLENN: Don Heilig has been elected assistant vice president of the First National Bank. He previously was with the National State Bank of Boulder.



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Wyoming News

CHEYENNE: Delbert E. Brown has been promoted to commercial loan officer of the American National Bank.

South Dakota News

MILLER: Patrick C. Beglau has joined the First National Bank as loan officer. He transferred from the First State Bank of Wheaton, Minn.

VIBORG: Glen Rasmussen has been promoted to head of the instalment loan department of the United National Bank of Sioux Falls office here. He formerly was with the bank's Gregory office.

North Dakota News

May 22-24 are the dates of the 93rd annual convention of the North Dakota Bankers Association at the Ramada Inn, Minot. Presiding will be Henry N. Ness, NDBA president and senior vice president and ag representative at Fargo National Bank & Trust Company.

BISMARCK: An application from the State Bank of Burleigh County

Trust Co. to establish a drive-in center in north Bismarck has been approved.

LANGDON: Warren Sandness has been appointed assistant cashier and time pay manager at the First Bank of Langdon, replacing James Ogalvie who resigned. Mr. Sandness formerly was with the First Bank of North Dakota in Fargo.

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AG-LOAN—Midwestern bank of \$30MM. Service Ag, real estate, and instalment customers from full service branch. Insurance licenses helpful \$20,000
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TOM HAGAN & ASSOCIATES

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