

1957 Annual Report to Stockholders

Attached hereto are the comparative balance sheets and profit and loss statements as of December 31, 1956 and 1957.

GENERAL

The stock market was strong during the first six months of the year followed by a weak market in the second half. As a result, there was a drastic decline of new common stock financing in the latter period. The bond market, in turn, was poor during the first half of the year, and extremely weak in the third quarter, followed by one of the sharpest rallies witnessed in the bond market in this century, and accompanied by great activity.

OPERATIONS

Gross income for the year was satisfactory, showing an increase from approximately \$4,306,000 to \$4,443,000, a gain of roughly 3 per cent. This was due principally to further growth of our commission business which was excellent. Such revenues increased 15 per cent from \$1,689,000 to \$1,943,000. However, it should be recognized that this is high cost business, when proper charges are made against it for operational expense, research costs and supervisory sales expense. The municipal department again is to be congratulated on a highly satisfactory performance, showing an operating profit of \$336,000 compared with \$221,000 for 1956, - an increase of 52%. On the other hand, an important source of revenue and profit, underwriting originations of our own, was very disappointing, although fees from financial services were well maintained.

The make-up of the gross income figures, by principal sources, was as follows, on a comparative basis: (000's omitted)

<u>Revenue Source</u>	<u>1957</u>	<u>1956</u>	<u>Change + or -</u>
Commissions	\$1,944	\$1,690	+ \$254
Underwriting & Selling Group	938	1,058	- 120
Trading & Specialists	425	524	- 99
Municipals	336	221	+ 115
Financial fees	302	307	- 5
Commercial paper	122	88	+ 34
All other	376	418	- 42
	<u>\$4,443</u>	<u>\$4,306</u>	<u>+ \$137</u>

Unfortunately, despite the good over-all revenue production, net operating results were again poor. This was due in part to the paucity of our own underwritings alluded to above. It was also due to some losses in certain deals in which we were participants, as well as actual net losses taken and mark-downs in our investment account. In addition, our expenses showed a further increase. As a consequence, the final result was a negligible profit of some \$30,000 for the year. However, it should be noted that this is not a wholly fair statement of operating results because this figure is after providing \$164,000 for the pension fund, and capital losses taken and provided for \$45,000. If these amounts were added back, it would result in an operating profit before income tax of \$245,000. But, nonetheless, this would not represent a particularly inspiring performance or one from which we could derive much satisfaction.

There are, however, reasons for being encouraged about the future. Many of us feel that in the past year we began to witness beneficial results of the organizational changes we have been making and the better administrative procedures that have been instituted. Much of the credit for this activity is due Messrs. Getz, Flett and Urquhart. While I stated last year that we felt our IBM system would be materially improved, this year I can say without reservation that we now have a sound IBM operation. Of course, much still remains to be done - additional operations must be put on IBM, and much operating

data badly needed to better guide the business is still to be secured, but at last we can say that we have a group of capable people who are devising satisfactory operating procedures. I am sure all of us feel that many loose ends have been tied together in various phases of our operations, and this work will continue with added momentum.

Both the Chicago and New York offices have seen far-reaching changes in the training of sales trainees and younger sales representatives. In Chicago, Roger Brown has devoted most of his time to these important matters and we believe he has made a most effective start. In New York, David Dattelbaum was assigned entirely to sales administrative work as of September 1, 1957. While some time is needed to transfer all of his customers, as was the case with Roger Brown, too, progress has been made and he now is able to devote a major portion of his time to sales direction. As a result of these moves, for the first time in our history, new sales trainees can be taken on with a prearranged course of work, training and continuing supervision available which ought to enable us to develop a higher percentage of these young men into successful sales representatives. In this work, H. V. Flett, in particular, has done a splendid job of planning and follow through.

I could not end a discussion of sales without mentioning that 1957 was a tremendous year of personal production for William D. Mabie and Herbert T. Schaffner.

CAPITAL CHANGES

We originally reported net worth of \$2,849,000 as of December 31, 1956. Subsequently, we made an additional payment into the pension fund so that our revised net worth figure was \$2,770,000. Our net worth at December 31, 1957, amounts to \$3,158,000 or an increase of

approximately \$388,000 from a year ago. During 1957 we sold, pursuant to stock purchase rights and otherwise, 24,210 shares of our common stock for which we received \$174,470. The book value of our common stock at December 31, 1957, was \$9.88 per share compared with a revised book value figure at December 31, 1956, of \$9.31.

The question immediately will arise as to how our book value could increase \$388,000 when we only received \$174,000 in new capital and showed earnings of \$30,000 for a total of \$204,000. The remaining increase in surplus of \$184,000 was made up chiefly of reversals of valuation reserves no longer needed amounting to \$109,000 and a tax recovery of \$59,000.

PENSION FUND

Appended hereto is a statement of the pension fund as of January 31, 1958. Since that date an additional \$84,319 has been paid into the fund. As stated above, we paid into the fund for fiscal 1957, \$164,319 of which approximately \$85,000 represented current annual requirements plus interest on past service, and about \$80,000 on account of principal payment for past service costs. We now have enough money in the fund to provide for two years ahead without further payments, - assuming, of course, that our investments are sound.

COMMERCIAL PAPER DEPARTMENT

Because our commercial paper business was being handled more or less as a side issue, it was decided that it needed a drastic overhaul. We, therefore, asked John Friedlich, as of January 1, 1958, to give up his new business activities to devote full time as manager of the department. He has made a very good start and has brought drive and enthusiasm into the work. One of his first moves was to secure the services of Lewis Glucksman to handle paper in the New York office. Only the future will tell whether the present pace can be continued.

SUMMARY

Perhaps it may seem paradoxical for me to feel encouraged about our business in the face of a bad profit showing and with the country still in a recession, - but nevertheless I am encouraged. This does not mean I predict a good profit showing for 1958, but I feel convinced that the large amounts of money we are spending on research and sales development and in the general strengthening of our organization will ultimately be translated into a more representative profit showing.

The organization has worked hard and with enthusiasm and to all of you go our thanks for your continuing help and cooperation.

By order of the Board of Directors

James H. Becker

President

February 26, 1958

**COMPARATIVE STATEMENT OF PROFIT OR LOSS
FOR THE YEARS ENDING
DECEMBER 31, 1956 AND DECEMBER 31, 1957**

	<u>Year Ending 12/31/56</u>	<u>Year Ending 12/31/57</u>	<u>Increase or Decrease</u>
INCOME			
Profit on securities sold	\$ 906,947	\$ 901,308	\$ (5,639)
Specialists' profit	377,867	320,093	(57,774)
Commercial paper	87,841	122,329	34,488
Commission earned on agency transactions	1,689,991	1,943,675	253,684
Originated underwriting profit	270,623	73,431	(197,192)
Participating underwriting profit	370,060	516,646	146,586
Fees for financial services	307,125	301,805	(5,320)
Interest discount and other income	295,962	264,141	(31,821)
Gross operating profit	<u>\$ 4,306,416</u>	<u>\$ 4,443,428</u>	<u>\$ 137,012</u>
SALARY COSTS:			
Productive salaries	\$ 600,092	\$ 650,293	\$ 50,201
Administrative and general	1,405,086	1,496,370	91,284
Additional compensation	378,823	412,141	33,318
Overtime pay	<u>41,929</u>	<u>33,579</u>	<u>(8,350)</u>
OPERATING EXPENSES	2,425,930	2,592,383	166,453
FLOOR BROKERAGE	1,029,622	1,095,647	66,025
COST OF MONEY	252,807	235,971	(16,836)
PENSION	440,809	285,928	(154,881)
Together	<u>159,290</u>	<u>164,319</u>	<u>5,029</u>
Operating profit	<u>\$ 4,308,458</u>	<u>\$ 4,374,248</u>	<u>\$ 65,790</u>
Non-operating profit	\$ (2,042)	\$ 69,180	\$ 71,222
Net income	<u>(683)</u>	<u>(32,788)</u>	<u>(32,105)</u>
Current year provision for unrealized loss on Investment account	\$ (2,725)	\$ 36,392	\$ 39,117
	<u>(5,751)</u>	<u>(5,751)</u>	<u>(5,751)</u>
	<u>\$ (2,725)</u>	<u>\$ 30,641</u>	<u>\$ 33,366</u>

It is estimated that there will be no liability for Federal Income tax on the earnings for the year 1957. The 1956 figures were adjusted to give effect to the additional pension deposit of \$83,052 made in 1957 which brought our pension deduction for tax purposes in that year up to the maximum.

A. G. BECKER & CO., INCORPORATED
STATEMENT OF FINANCIAL CONDITION
COMPARATIVE DECEMBER 31, 1956-DECEMBER 31, 1957

A S S E T S

	<u>Year Ended</u>	<u>12/31/56</u>	<u>12/31/57</u>	Increase or Decrease
CURRENT ASSETS:				
Cash		\$ 1,284,927	\$ 1,290,494	\$ 5,567
Receivables:				
Customers' accts. secured		2,502,977	3,019,409	516,432
" unsecured		1,043	5,023	3,980
Other brokers for undelivered securities		3,223,173	2,259,426	(963,747)
Deposits for securities borr'd.		2,553,280	1,688,495	(864,785)
Miscellaneous		118,365	135,268	16,903
		<u>\$ 8,398,846</u>	<u>\$ 7,107,621</u>	<u>\$(1,291,225)</u>
Trading securities-at lower of cost of market		2,729,753	1,416,266	(1,313,487)
Commercial paper on hand and in transit		8,709,278	10,217,037	1,507,759
Total current assets		\$21,122,804	\$20,031,418	\$(1,091,386)
INVESTMENTS:				
Securities held for investment purposes-at lower cost or mkt.		435,685	197,818	(237,867)
Stock exchange memberships-at cost		84,766	84,766	-
		<u>\$ 520,451</u>	<u>\$ 282,584</u>	<u>\$(237,867)</u>
OTHER ASSETS:				
Deposit with Stock Clearing Corp.		15,000	15,000	-
Prepaid insurance		5,513	2,708	(2,805)
		<u>\$ 20,513</u>	<u>\$ 17,708</u>	<u>\$(2,805)</u>
		<u>\$21,663,768</u>	<u>\$20,331,710</u>	<u>\$(1,332,058)</u>

LI A B I L I T I E S

	<u>Year Ended</u>	<u>12/31/56</u>	<u>12/31/57</u>	Increase or Decrease
CURRENT LIABILITIES:				
Bank loans payable-				
Secured - by customers' securities		\$ 795,000	\$ 570,000	\$ (225,000)
Secured - by firm securities		10,845,000	11,010,000	165,000
Accounts payable-				
Customers for securities not recv'd.		596,413	1,418,584	822,171
Customers' free credit balances		3,766,492	1,600,917	(2,165,575)
Other brokers for securities not recv'd.		2,002,431	1,567,126	(435,305)
Other brokers for securities loaned		26,700	106,300	79,600
Salesmen's drawing accounts		167,738	205,306	37,568
Other		236,255	292,493	56,238
Accruals and reserves		190,567	137,001	(53,566)
Total current liabilities		<u>\$18,626,596</u>	<u>\$16,907,727</u>	<u>\$(1,718,869)</u>
DEFERRED SYNDICATE INCOME		24,552	14,874	(9,678)
UNEARNED DISCOUNT-Commercial paper		86,965	96,968	10,003
RESERVE CREATED UNDER RESOLUTION OF BOARD OF DIRECTORS		155,324	153,853	(1,471)
NET WORTH:				
Preferred stock (\$50 par)		333,295	333,295	-
Common stock (\$ 1 Par)		261,832	286,042	24,210
Capital surplus		203,138	353,398	150,260
Earned surplus		1,972,066	2,185,553	213,487
		<u>\$ 2,770,331</u>	<u>\$ 3,158,288</u>	<u>\$ 387,957</u>
		<u>\$21,663,768</u>	<u>\$20,331,710</u>	<u>\$(1,332,058)</u>

TRUSTEES A. G. BECKER & CO. INCORPORATED PENSION PLAN
JANUARY 31, 1958

Cash in Bank - First National Bank of Chicago
Securities Account at Cost (See detail below)
Accrued Interest Receivable

\$ 5,088.67
229,932.08
1,348.92
\$236,369.67

1957 Contributions to Pension Plan \$239,290.00
1957 Pensions Paid \$7,444.53
1957 Dividends Received \$1,320.00
1957 Interest Earned 3,172.10
Balance of 1957 Contributions 2,952.43
1958 Dividends Received \$ 375.00
1958 Interest Earned 489.57
1958 Pensions Paid

\$236,337.57
864.57
\$237,202.14
832.47
\$236,369.67

SECURITIES ACCOUNT DETAIL

Par or No. Shrs.	Market Per \$100 or Share	Amount	Cost Per \$100 or Share	Amount	Yearly Int. and Div. Rate	Total to be Received	Yield %
\$50,000	Amer. Tel. & Tel. 4 3/8% 4/1/85	\$ 52,500.00	\$101.21	\$ 50,619.15	\$4.375	\$ 2,187.50	4.32
25,000	Amer. Tel. & Tel. 5% 11/1/83	27,375.00	101.74	25,434.69	5.00	1,250.00	4.91
25,000	Southern Bell Tel. 5% 6/1/86	27,625.00	102.32	25,673.75	5.00	1,250.00	4.87
25,000	Southern Cal. Ed. 4 3/4% 7/1/82	27,000.00	100.85	25,212.19	4.75	1,187.50	4.71
200 Sh.	American Cyanamid Common	8,250.00	42.00	8,647.88	1.60	320.00	3.70
300 "	Bethlehem Steel Co. Common	11,812.50	49.00	14,856.18	2.40	720.00	4.85
220 "	Cummins Engine Co. Common	9,020.00	52.33	11,512.50	1.00	220.00	1.91
50 "	E. I. duPont de Nemours Co. Com.	9,250.00	197.00	9,930.57	6.50	325.00	3.27
102 "	Goodyear Tire & Rubber Co. Com.	8,007.00	85.23	8,693.65	2.40	244.80	2.82
200 "	Kaiser Alum. & Chem. Co. Com.	4,900.00	43.00	8,673.00	.90	180.00	2.08
200 "	Outboard Marine Co. Common	4,525.00	21.63	4,326.38	.80	160.00	3.70
500 "	Radio Corp. of America Common	17,625.00	35.25	17,624.80	1.50	750.00	4.25
300 "	Standard Oil of New Jersey	15,262.50	62.42	18,727.34	2.25	675.00	3.60
		<u>\$223,152.00</u>		<u>\$229,932.08</u>		<u>\$ 9,469.80</u>	4.12