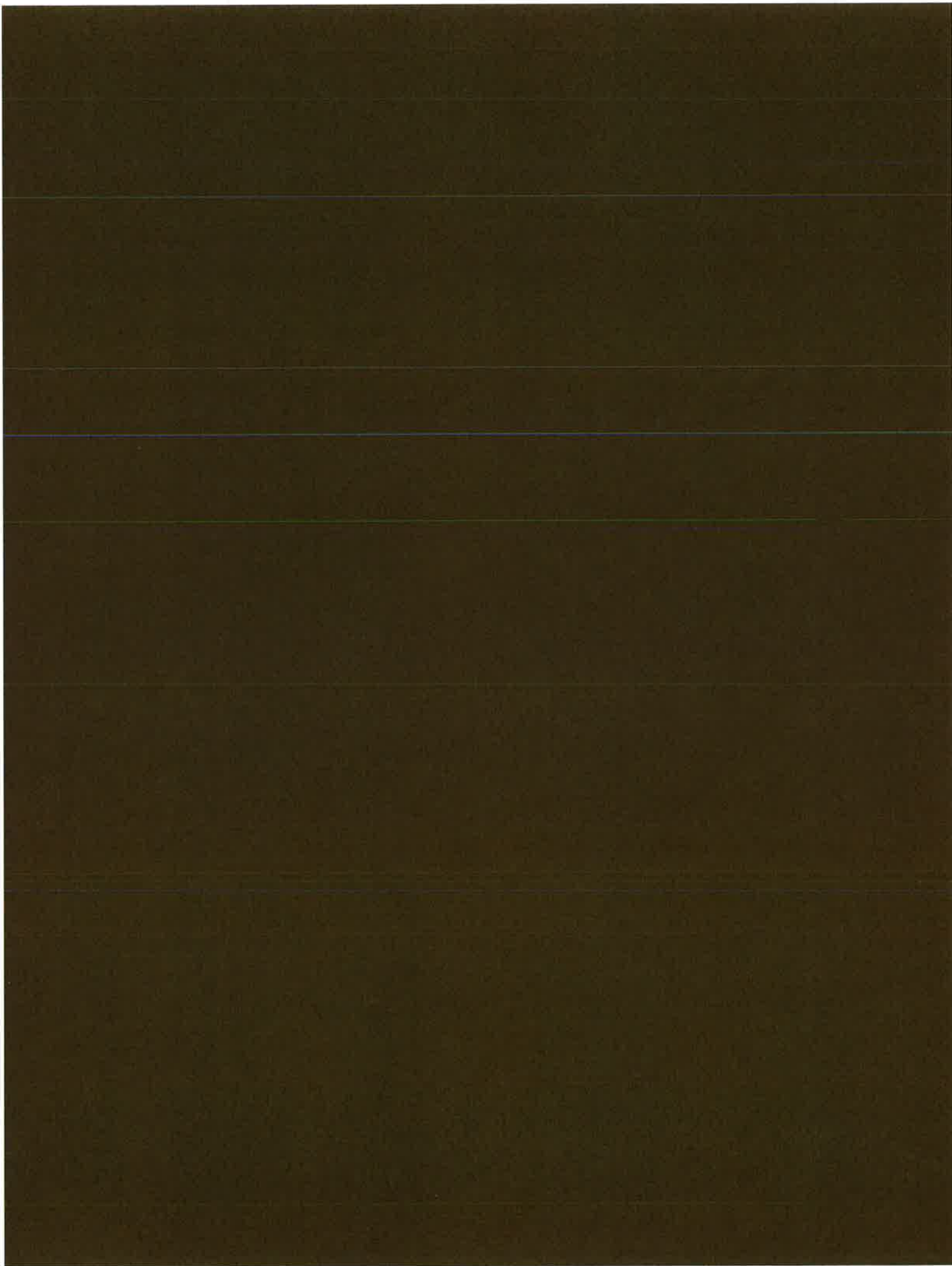


A
Progress
Report

to our
Clients and
Friends

A. G. Becker & Co.
INCORPORATED



Prologue

The objective of this progress report is to outline to our clients, and our prospective clients and other friends, how we are accomplishing our central purpose—the operation of a profitable business by rendering professional, distinctive and valuable investment services to a select clientele.

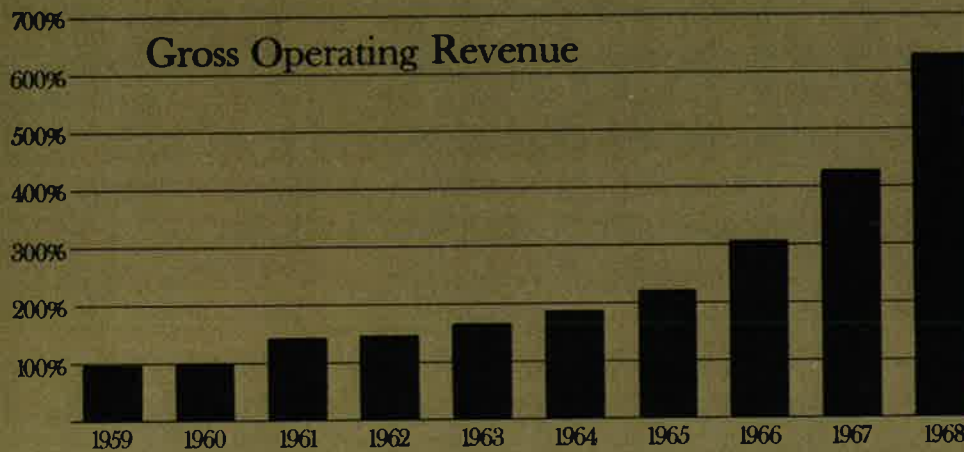
While we are proud of our growth and achievements over the years, we record these developments principally as a way to emphasize the strength of our organizational resources, the vigor of our creative diversity and the dedication we have to better serving our select clientele.

Review of Progress

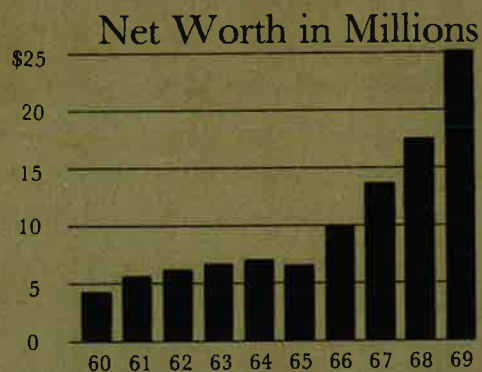
In 1968 we observed the 75th anniversary of our founding by establishing new records in all segments of our business. In 1969, a "Spirit of 76" has pervaded our organization, and despite the continued adversity in the many markets in which we participate, we are renewing our efforts to improve and expand the range of selected services being offered our varied clientele.

The measure of our growth in recent years is graphically indicated by the following charts. The range and extent of our client services and activities are perhaps best reflected in the fact that the annual rate of our gross operating revenues now exceeds \$40 million. A substantial increase in our net worth, currently more than \$25 million, has helped provide the capital needed to finance our expanding range of investment services.

When we pause in 1970 to review our progress through 1969, we may well find that our growth in operational activity and profitability was restrained by the lower transactional volumes and substantially higher personnel and money costs currently affecting the securities business. Notwithstanding these developments, we believe there is a longer term and soundly sustained need for professional and increasingly sophisticated investment services among select clientele in the four client/market groups we serve—individuals, institutions, corporations and investment dealers. Thus, we anticipate a continued expansion and refinement of our services to satisfy these growing needs.



Based on calendar years through 1966, and fiscal years ended October 31 in subsequent years.



Based on annual audit required by the New York Stock Exchange.



At calendar year end through 1968. 1969 figure as of October 15.

Individuals

Guiding or making, and the subsequent execution of, investment decisions involving marketable securities owned by individuals is one of our major services. While our agency commission business includes transactions for all groups of clients, individual investors account for a major part, and gratifying gains were recorded in this area of our business in 1968 and into 1969. When measured by the combined volume of public business handled on the New York and American Stock Exchanges, our rate of increase in 1968, as in 1967, appeared to be more than twice as great as that of the average member firm. Our overall agency commission business was some 40% higher in 1968 than in 1967, whereas dollar volume on the New York Stock Exchange increased by approximately 14% and American Stock Exchange volume increased by 28%. In the first half of 1969 our overall agency commissions remained approximately at the previous year's level although dollar volume on the New York Stock Exchange and American Stock Exchange increased 3% and 12%, respectively. This recent leveling of commission income is attributable to the elimination of customer directed give ups and the impact of the volume discount.

We believe that our longer-term, above-average rate of growth in individual account servicing largely reflects the growing confidence in the professional services rendered by our account managers and an appreciation for their basic intelligence, judgment, training and supervision. Our account representatives receive increasingly intensive support from our research department and benefit from extensive management planning and guidance. However, we believe there is no substitute for making available to our individual investor clients a relatively small group of men possessing experience, initiative, judgment, responsibility and integrity in the handling of investment decisions.

Frequent participation in underwritten distributions coupled with intensive research and other supporting services permits our account managers to choose from a broad selection of investment alternatives tailored to the needs of our select clientele.

We have increasingly used three concepts in the development of our individual account business—the “group approach,” “discretionary authority” and “major office concentration.”

The “group approach” permits representatives to work as a team, complementing each other’s areas of expertise, providing them with more time for study and deeper specialization, and facilitating full-time attention to their account management responsibilities despite vacations, illness and other unforeseen occurrences.

“Discretionary authority” provides account management for the achievement of the investment objectives of each client granting such authority. This management capitalizes on the increasing professionalism of our representatives and the investment tools available to them and provides a better way clearly to assign the responsibility for attainment of the investment goals.

“Major office concentration” has been implemented in recent years by the closing of several of our branches. Services to individuals are now rendered almost entirely by representatives operating from our Chicago, New York and Milwaukee offices. Modern transportation and communications facilities permit our representatives to service clients on a nationwide basis from these major offices. Being located close to research, operational and management resources in order to engender the cross fertilization of investment ideas significantly enhances our registered representatives’ professional service capabilities. In addition, our preference for upper-floor offices relieves our people from ground-level distractions, resulting in more time for study and concentration on their primary function of helping clients achieve their investment goals.

Institutions

Our service to institutional investors was further strengthened in 1968-1969 by more additions to our research staff. Careful selection of the staff, and its size, have enabled us to implement a flexible group approach to securities analysis and selection, focusing in depth and with minimum lead time, if circumstances so dictate, on those companies, industries or segments believed to offer the greatest potential.

Our block trades totaled more than 8 million shares in 1968, up sharply from the preceding year and more than double the 1966 total. Our growing net worth, coupled with our extensive exchange operations and national marketing programs, has permitted us to expand our assistance to clients in the acquisition or distribution of large blocks of equity securities. The block trading facilities have increasingly been extended to unlisted securities by the growth and professionalism of our over-the-counter trading department.

New offices in Miami (specializing in municipal bonds), Atlanta (specializing in commercial paper) and Geneva, Switzerland (devoted to European institutional sales) have significantly expanded our institutional potential.

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Institutional clients also stand to benefit from our close relationship with state and municipal governmental clients through our Municipal Finance Consulting Service, which advises on the marketing of municipal bond issues.

Corporations

Commercial paper, our original business when the firm was founded in 1893, has continued to be an area of substantial growth. Despite money market uncertainties throughout 1968 and 1969, open market outstandings of business and government related corporations issuing through A. G. Becker & Co. have increased to well over \$4 billion; our annual sales volume of money market instruments amounts to many times such open market outstandings. The number of new issuers utilizing our services in 1968 and the first-half of 1969 far exceeded the achievement for any comparable period, with particular growth among public utilities — a field we pioneered. We believe we possess the largest distribution organization and capability of any commercial paper dealer.

Evidencing further recognition of our capabilities in the distribution of money market instruments was our selection several years ago as agent for distribution of the short-term discount notes of the Federal National Mortgage Association. In 1968 this distinction was supplemented by our selection as a distributor of the short-term discount notes of the Export-Import Bank of the United States.

A. G. Becker & Co. is an increasingly important manager of publicly distributed underwritings of debt and equity securities for corporations (as well as their larger shareholders) and one of the leading negotiators of private placements of corporate securities with institutional investors. In 1968 our underwriting participations in some 265 securities offerings

aggregated in excess of \$200 million. We acted as managing underwriter in seven distributions, with aggregate market value in excess of \$45 million. As of mid-1969 we managed or co-managed six offerings, having a gross value in excess of \$60 million. Based on our 21 private placements in 1968, which aggregated some \$83 million, we ranked among the top five investment bankers in the country; in the first half of 1969 we negotiated 10 private placements.

Our corporate finance activities have also continued to encompass the analysis and negotiation of business consolidations or divestments and appraisals and other services custom-tailored to the specific requirements of our clients.

Our services to companies engaged in the finance business, both independent and captive, continued to be broadened in 1968. We currently serve more than 40 firms in their short-term open market and long-term financing requirements.

Remarkable acceptance continues to be enjoyed by our Retirement Funds Evaluation Service. Initiated in 1966, the service currently numbers among its subscribers more than 875 retirement funds, with assets in excess of \$24 billion. Subscribers include more than 25% of the companies in the "*Fortune* 500." Funds being serviced represent more than 20% of all of the assets of the nation's corporate non-insured pension funds. Having pioneered in the development and acceptance of this important management tool, we continue to refine and expand the data and interpretive reports that subscribers receive, and to deepen our expertise in this area of investment administration.

Investment Dealers

Exchange execution and operating services for other investment dealers were broadened through 1968 and into 1969 both as to the scope of such services and the number of dealers for whom rendered. Currently, we extend correspondent and other exchange operation services to some 75 investment dealers.

The list of stocks in which we are specialists on the Midwest and Pacific Coast Stock Exchanges has increased to approximately 150 issues, most of which are also listed on the New York Stock Exchange. The addition of several significant dealers to our private wire network has also strengthened communications with over-the-counter dealers.

Our underwriting syndication activities have expanded significantly in the last 18 months with the substantial growth in public financings. This same substantial growth has taken place in our municipal securities operations, an area in which we have placed special emphasis upon building our distributing capability.

Finally, our interdealer relationships and position in the over-the-counter equity markets are now much larger than in 1967 as a result of a growing commitment of personnel and capital to this phase of our business. For example, our volume of sales of over-the-counter equities during a recent 12-month period was approximately \$500 million.

Investment Activities

Over the recent years, through the direct experience as a venture investor, as well as through an analysis of the needs for specialized venture investment services, we decided to initiate two organized venture investment activities. To this end, Becker Technological Associates was established in 1968 and Becker Entre-Capital in 1969.

Becker Technological Associates (BTA), an affiliated investment partnership, provides an equity financing source for technologically oriented companies in the developmental stage of growth. Typically, BTA candidate companies are too small or too formative to obtain debt and equity capital through public underwritings or conventional private placements. These developmental stage companies also need and benefit from BTA's financial and organizational counsel as well as its direct investment assistance.

Becker Entre-Capital (BEC) arranges the private purchase of established businesses, selects outstanding management-entrepreneurs to transform them into highly profitable enterprises and, at an appropriate time, fosters their growth and expansion through public ownership.

Both BTA and BEC are managed and staffed by personnel especially selected for and devoting full time to the specialized investment programs and objectives of each activity. The BTA and BEC investment programs are supplemented by a direct investment program for the firm's own account involving selected opportunities not meeting the specialized objectives of BTA or BEC.

Operational Capabilities

A special thrust has been directed to organizational and procedural changes and improvements designed to help us avoid or minimize the operational problems besetting the securities industry. Fortunately, prior years' planning—encompassing facilities, personnel, computerization and financial requirements—gave us a head start in meeting the demands created by the accelerated securities market activity in 1968.

The operational capability of our firm is extensive and efficient. Such capability is especially a “must” for us when it is realized that, during the most recent 12-month period, the aggregate amount of securities, exclusive of money market instruments, purchased by us or sold for the accounts of clients and processed by our operating system through to subsequent resale or purchase by clients totaled in excess of \$4 billion. Handling this level of business has not been an easy task especially in view of the degree to which every firm in the securities industry is closely intertwined involuntarily with the systems and problems of the industry as a whole.

Reassignments of personnel to the operating division and intensive training preceding promotions have provided us with a dedicated cadre believed most capable of continuing to process transactions efficiently. While the expectation of total freedom from errors would be unrealistic, we are committed to performance that will far surpass industry standards. The complex interplay of many organizations and systems typical to the total processing of a securities transaction may continue to create some delays or other inconveniences for which we cannot feel responsible but which we will strive to remedy with courtesy and dispatch.

Organizational Development

We believe we have one of the country's most diversified and dynamic investment service organizations. Our organization now totals in excess of 1,200 employees with some 230 associates providing professional staff services directly to our wide range of clients, some 860 others supporting these client service activities with secretarial, operational and other internal services, and some 120 persons performing management, administrative and supervisory tasks. Simultaneously with rendering professional, distinctive and valuable services to our select clientele, we strive to return a planned and satisfactory profit to our shareholders, and maintain a challenging and very personal work environment for all our employees.

Some years ago the management and principal owners of A. G. Becker & Co. adopted a program of management and ownership transition which was successfully concluded in late 1967. As part of this program, and in more recent years, the ownership of the firm has been further broadened and now encompasses approximately 80 voting shareholders with an average age of just under 40 years. In mid-1969 we were further pleased to add some 90 additional associates as non-voting shareholders to participate in the equity growth of the firm.

We have also been pleased to have completed successfully a major shift of a large portion of our Chicago operations from 120 South LaSalle Street to the new First National Plaza building. Certain client service operations as well as our corporate offices have remained at our old Chicago address. A similar office relocation has been effected in San Francisco, and a major expansion and renovation program is

just being completed in our New York office. We hope we will be able to share the comfort of these offices and the pleasure of your friendship when you are next our way.

We wish to thank all our clients and friends for helping in the last few years to make this expansion necessary; serving your interests will continue to be the determining factor of our own further progress and success.


Chairman


President

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Statement of Financial

Assets

Cash		\$ 1,947,499
Trading Securities, at quoted market:		
Short-term instruments	\$41,018,368	
Municipal bonds	10,108,489	
Other bonds	57,040	
Stocks	<u>7,281,378</u>	58,465,275
Investment Securities		
(Note 1)		7,981,847
Receivables:		
Customers	\$64,838,642	
Brokers and dealers	61,373,234	
Deposits on securities borrowed	15,558,204	
Other receivables	<u>2,268,948</u>	144,039,028
Other Assets:		
Exchange memberships, at last sales prices prior to June 1, 1969	\$ 3,230,000	
Furniture and fixtures and leasehold improve- ments, at cost, net of accumulated depreciation and amortization	<u>1,091,337</u>	<u>4,321,337</u>
		<u><u>\$216,754,986</u></u>

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For the protection of customer accounts, the New York Stock Exchange requires that the annual audit of its members' records be made on a "surprise" basis by independent public accountants. This audit is made without previous notice to us and at varying dates from year to year.

Notes:

(1) Investment securities, whose marketability is limited due to the size of the positions held and/or restrictions on their disposition, are carried at estimated fair value less a reserve of \$5,268,379.

(2) The aggregate annual rentals under lease agreements is approximately \$1,300,000 to 1988.

Condition May 31, 1969

Liabilities and Capital

Liabilities:

Collateral loans	\$80,786,000	
Securities sold but not yet purchased, at quoted market	2,691,562	
Payables—		
Customers	47,936,474	
Brokers and dealers	45,907,182	
Accrued salaries, commissions, taxes and other payables	11,604,502	
Deposits on securities loaned	1,603,088	
Deferred income	<u>785,853</u>	\$191,314,661

Subordinated Liabilities

440,325

Common Stock and Surplus

25,000,000

\$216,754,986

To the Board of Directors and Stockholders of
A. G. Becker & Co. Incorporated:

We have examined the statement of financial condition of A. G. Becker & Co. Incorporated (a Delaware corporation) as of May 31, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial condition presents fairly the financial position of A. G. Becker & Co. Incorporated as of May 31, 1969, in conformity with generally accepted accounting principles applied on a basis consistent with that of the statement of financial condition as of August 30, 1968, the date of our previous examination.

Chicago, Illinois,
July 11, 1969.

Arthur Andersen & Co.

Services for Individuals

Rapid and efficient execution of transactions in listed and unlisted securities, including large blocks, through our facilities as members of the New York Stock Exchange and other principal exchanges and our extensive over-the-counter facilities.

Discretionary accounts serviced by selected registered representatives who fully manage the accounts of clients and bear a major portion of the responsibility for the investment performance of the account.



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Portfolio analysis to assist in achieving specific investment objectives.

Comprehensive investment research information and analyses on individual companies and industries involving recommendations supporting either capital growth or capital conservation objectives.

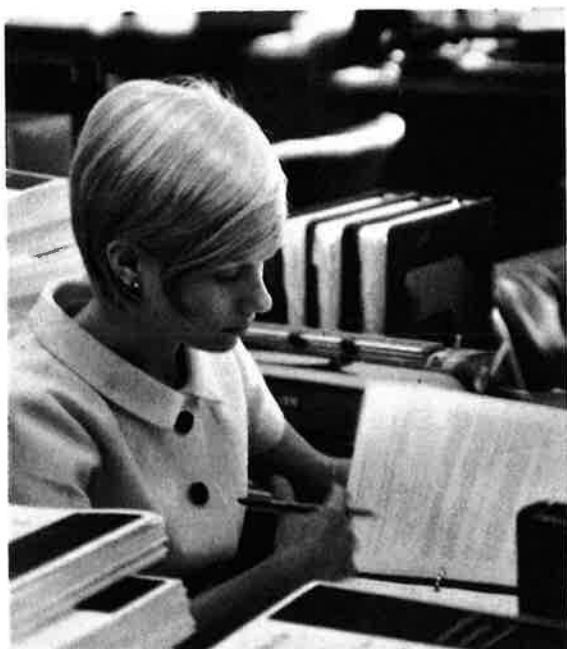
Rapid and efficient execution of transactions in municipal bonds through underwritings and secondary trading operations, as well as suggestions for portfolio improvements to meet changing conditions.

Interest and portfolio planning for the business of the individual entrepreneur as well as the negotiation of acquisitions and divestitures and other corporate finance services.

Private investment opportunities for individuals or family groups of substantial means, including participation in investment programs such as Becker Technological Associates and Becker Entre-Capital.

Appraisal of securities for tax, estate and other purposes.

An individual client is benefitted by the careful analysis and reflective consideration his portfolio and investment goals receive from an A. G. Becker account manager. Investment decisions are effected and processed through a sophisticated communications system by efficient and informed personnel.



Services for Institutions

Rapid and efficient execution of transactions in listed and unlisted securities.

Unique position in the execution of transactions in dually listed securities as specialists for approximately 150 issues and one of the few firms in the country with its own personnel on the floors of the New York, American, Midwest and Pacific Coast Stock Exchanges.

Impressive block trading capabilities, enhanced by the devotion of substantial capital to assist in the distribution of large blocks.

Investment research personnel and analyses tailored for the institutional investor.

Particular expertise in short-term investments as a leading dealer in commercial paper and one of four dealers in the short-term discount notes of the Federal National Mortgage Association and the Export-Import Bank of the United States.

Participation in primary and secondary distributions of debt and equity corporate securities both as manager of underwritings and an important member of underwriting and selling groups managed by others.

Rapid and efficient execution of transactions in municipal bonds through underwritings and secondary trading operations, as well as contacts made through our Municipal Finance Consulting Service.

Institutional meetings in selected cities across the country, highlighting economic trends and technical market factors.

Placement of private debt and equity securities.

Participation in organized venture investment activities, particularly Becker Technological Associates and Becker Entre-Capital.

Finance Company Statistical Service for banks and long-term creditors of the finance industry.

Measurement by our Retirement Funds Evaluation Service of non-insured pension and profit sharing funds managed by institutions.

Assistance to trustees in receivership or to creditors in developing effective solutions to troubled corporate situations.

Generation and implementation of "tax-swap" transactions capitalizing on broad changes in corporate or tax-exempt markets.

Teamwork through communication is essential to our services for institutional clients. Transactions in a variety of investment vehicles are effected quickly and processed smoothly.



Services for Corporations

Underwriting of primary and secondary distributions of debt and equity securities for corporations and their large stockholders, both as managing underwriter and as participant in underwritings managed by others.

Negotiation of private placements, acquisitions, mergers, consolidations and divestments.

Reorganizations, including negotiations with trustees in receivership, creditors' committees and large institutional holders.

Negotiation of sale/leaseback financing.

Security and corporate appraisals and other analytical services tailored to the requirements of specific clients.

Counsel on corporate financial practices, policies and planning.

Rapid and efficient execution of transactions in listed and unlisted securities, including the client's own securities.

Rapid and efficient execution of transactions in municipal bonds through underwritings and through secondary market trading operations.

Transactions in money market instruments as a leading dealer in commercial paper and as one of four distributors of the short-term discount notes of the Federal National Mortgage Association and the Export-Import Bank of the United States.

Maintenance of primary trading markets for unlisted securities.

Retirement Funds Evaluation Service, measuring the comparative performance of corporate non-insured pension funds and profit sharing funds.

Finance Company Statistical Service offered on a subscription basis to banks and other long-term creditors of the finance industry.

Becker Technological Associates (BTA), an investment partnership which provides equity financing, organizational counsel and other financial assistance for technologically oriented companies in the developmental stage.

Becker Entre-Capital (BEC) arranges the private purchase of established businesses, or part of the business, selecting outstanding manager-entrepreneurs to transform them into highly profitable enterprises and, at an appropriate time, fostering their growth and expansion through public ownership.

The financial needs of our corporate clients are served by many analytical and investment oriented capabilities directed by creative personnel able to translate analytical conclusions into capital results.



Services for Investment Dealers

Exchange execution and operating services, supported by extensive exchange memberships, a highly competent team of floor and communications personnel and modern operating methods and facilities.

Specialist services for approximately 150 issues on the floor of the Midwest and Pacific Coast Stock Exchanges.

Discretionary primary market-making activities—over-the-counter.

Private wire connections with leading dealers across the country.

Leadership as managing underwriter of debt and equity security financings.

Work with investment dealers as originators of underwritings.

Participation in the underwritings of other dealers.

Analyses and reports on the securities of companies for which we maintain primary trading markets in the over-the-counter markets, including those issues for which we serve as managing underwriter.

Investment dealers enjoy access to national and regional exchange execution and operations services along with participations in securities distributions. In addition, an extensive private communications network facilitates access to the over-the-counter markets.





*Our corporate purpose is to
operate a profitable business
by rendering professional,
distinctive and valuable investment
services to a select clientele.*

A.G. Becker & Co.

INCORPORATED

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