A.G. Becker & Co.
INCORPORATED

Beckerbrief Special

1970 Personnel Review

In keeping with our annual tradition, we present to all employees a review of the highlights of this past year, with emphasis on personnel and organizational developments.

FIRM-WIDE

Troublesome conditions confronted the securities industry for most of 1970. We faced up to these conditions in a variety of ways, including a careful examination of the effectiveness and size of every phase of our organization. It is not surprising that our total employment on October 31, 1970, was approximately 9% lower than for the same date a year earlier. The changes during the last year are summarized as follows:

	Personnel October 31 1969	Personnel October 31 1970	% Increase (% Decrease)*
Corporate Services Activities			
Corporate Finance	56	58	4%
Funds Evaluation	46	68	48
Credit Securities Activities			
Commercial Paper	71	67	(6)
Municipals	36	29	(19)
Equity Markets Activities			
Exchange Operations	56	64*	14*
Trading	39	31	(20)
Syndicate	5	4	(20)
Portfolio Services Activities			
General Accounts	188	148	(21)
Institutional Sales	34	33	(3)
Int'l Institutional Sales	9	13	44
Research	30	20	(33)
Operations			
General	490	428	(13)
Specialist Clearance	0	16	New
Executive/Administrative Areas			
Executive	19	17	(10)
Central Support	33	34	3
Central Services	100	73	(27)
Investment Activities (BTA,BEC)	11	10	(9)
Total Personnel	1, 223	1, 113	(9)

*Including personnel added through an acquisition.

It is interesting to note that while 77% of our employees have been with the firm for less than five years (approximately the same as last year), the average tenure of shorter-term employees has lengthened significantly. Only 34% of our staff now have less than two years' service, compared with 61% as of the end of last year. On the other hand, 10% of our organization have now been with us for more than ten years.

First in seniority among our full-time employees is Ethel Benson, with more than 47 years' service, followed by Art Curtis, with 43 years' service. Retiring during the year were Marge Clancy, after 42 years with the firm; Harry Weber, 23 years, Ted Kowalski, 20 years, and Sydell Grombecker, 16 years.

During the year, Dick Driehaus, Bill Forney and Don Hahn were selected to work with John Mabie on managing Growth Fund investments for our Profit Sharing Funds. Neal Breskin continues to manage the equity portion of our Balanced Fund investments and Ken Alm continues to manage the bond portion. Malcolm Schoenberg was selected to work with Skip Pratt and John Mabie on the equity portion of our Pension Fund investments, the bond portion being managed by Ken Alm. The trustees of the A. G. Becker Pension Plan and Profit Sharing Funds are Roger Brown, Ken Nelson and Larry Novak.

Currently serving on our Contributions Committees are Joe Goeschl, Ron Telli and Bob Begley in New York, and Jack Mervis, Bob Vance and Stan Wirt in Chicago. Jack Connor and Ray Holland were elected trustees of the A. G. Becker & Co. Employees Trust, to serve with Al Kopin.

Fred Moss and Dave Peterson were elected as Directors of the firm in January. The Executive Committee, consisting of Paul Judy, chairman; Roger Brown, vice chairman, and Jack Connor, was reelected at the Directors' meeting in January. Roger Brown was elected a Senior Vice President and Jack Connor, Executive Vice President, was elected to the additional office of Treasurer.

Currently, the firm has 75 voting shareholders (the same number as a year ago), including 18 (Wally Boyle, Fred Coffman, Don Elwell, Vince Elwell, Barry Friedberg, Bill Grace, Larry Gray, Don Hahn, Hugh Hayes, Ray Holland, Jim Kelly, Wally Krier, Harry Leadingham, Jack Mervis, Carmine Monteforte, John Rogers, Ray Ryan and John Ward) who became voting shareholders in 1970.

In addition, 22 officers (Rob Anderson, George Baxter, Bob Brehm, Bob Christensen, Hugh Devlin, Al Doughty, Hugh Ettinger, Stu Gassel, Bill Hale, Shirley Heller, Ralph Hill, Ernie Janus, Bill Kabacker, Pete Kelly, Dan Kirby, Jim Morton, Bob Neild, Malcolm Schoenberg, Mike Sheehan, Pat Thackara, Milt Walters and Ben Witt) have been invited to become voting shareholders as of January 1, 1971.

The firm has 104 non-voting shareholders, compared with 86 in 1969 when the program was initiated.

In October, a range of management and organizational changes were effected to better organize our marketing capability and to develop more depth and breadth of management.

- To more effectively interrelate those portions of our business most heavily involved in credit securities markets and in services to government bodies, the Commercial Paper Division and Municipal department were grouped under Jack Connor.

- For a more integrated approach to the development and marketing of corporate services, the Corporate Finance and Funds Evaluation divisions were grouped together under Dave Peterson.

- To integrate and expand our equity market making roles and our primary services to other dealers, the Trading and Syndicate departments and the various Exchange Operations Division activities were grouped under Fred Moss and Ray Ryan.

- Our General Accounts, Research, and Institutional Sales departments, in addition to our Geneva office, were grouped under Burt Weiss.

- The Operations Division, under Ray Holland, continues to report to Roger Brown.

- A Los Angeles and general West Coast expansion program was initiated under the leadership of Bill Cockrum and Mac Skall.

One of the memorable events of the year was the move of our LaSalle Street staff in Chicago to new facilities in Two First National Plaza, conveniently across the street from their associates who had moved last year to One First National Plaza.

CREDIT SECURITIES ACTIVITIES

Commercial Paper The showing of the Commercial Paper Division was outstanding and merits special applause for a dedicated and talented team. The Division established impressive new records both in volume and in profits despite the pressures created by the Penn Central crisis and the extremely volatile market following that incident. Outstandings reached an all-time high, reflecting the addition of many new issuers of significant quality. The government bond trading program, in its first full year of operation, added significantly to the Division's overall success.

We were co-managers of three offerings of Farmers Home Administration notes, aggregating $950 million, as well as a common stock rights issue of the Federal National Mortgage Association.

Rob Anderson, national sales manager for the Division, was also appointed the Chicago department manager; Mike Ziegelmaier was appointed assistant manager. Hugh Devlin was appointed national manager of new business activities for the Division, and Tim Thomas, who had joined our organization earlier in the year, was appointed Chicago sales manager.

The Corporate Bond unit of the Division was established during the year. Bob Flynn, who had joined us in February, was appointed manager. He was joined by Frank Fay in September.

Doug Robbins and Hugh Devlin were elected Vice Presidents, and John Canzanella, Bob Flynn, Bill Kidder, Ron Telli, Tim Thomas and Steve Tomkin were elected Assistant Vice Presidents. Other new associates included Doug Rhyno and Len Stahl in New York, Tip Howell in Los Angeles, and Howell Pruett in Atlanta. Bill Kidder recently transferred to our New York office from San Francisco; John Hendrickson had transferred earlier to Chicago from Boston.

Municipals In the first full year under Mike Brookins' managership, the Municipal department grossed substantially more than in 1969, and expenses were tightly controlled. Highlights of the year were a significant increase in underwriting commitments, our management of 11 deals, a successful first full year of operation of the municipal note section, and continued leadership in institutional tax trading.

Bud Canaday and Mike Sheehan were elected Vice Presidents during the year and Tony Werner and Tom Brinkworth were elected Assistant Vice Presidents. Perry Wood transferred to the Miami office from Corporate Bonds in New York, and Paul Heuwetter joined our organization in Miami.

CORPORATE SERVICES ACTIVITIES

Corporate Finance In spite of very poor market conditions for equity public offerings and debt private placements, the Corporate Finance Division was able to maintain a flow of significant transactions. Working through the strength of the commercial paper and funds evaluation relationships, special efforts were directed toward developing transactions with major companies. Sizeable mergers and other promising results of these efforts should be more clearly observed in 1971.

Underwritings managed by A. G. Becker & Co. during 1970 set a new record in dollar amount. Included were offerings for American Reserve, Boise Cascade Credit, Data Products, Diamond M Drilling, Government Employees, Government Employees Financial, and Kenton Corporation.

Services in the form of private placements and mergers or acquisitions were effected for such clients as American Standard Credit, Bliss & Laughlin, Capital Finance, Civic Finance, Construction Aggregates, Cook United, CPS Credit, Emporium Capwell, Gamble-Skogmo, Industrial Finance & Thrift, INSILCO, ISC Industries, Katz Drug, Sealed Power, SERVISCO, Southern Discount, Stephenson Finance, U. S. Natural Resources, Jim Walter, and Wolverine World Wide.

Bob Ehrlich, Bob Henkle and Bob Karlblom were elected Vice Presidents during the year; and Steve Bershad, Tom Powers and Bill Staudt were elected Assistant Vice Presidents. Joining us during 1970 were Herb Gardner (as an Assistant Vice President), Carl Hutman, Steve Koffler, John Onder, Jack Sicotte and Jeff Thompson in New York, and Bob Nau in Chicago. Neal Clark transferred into the Chicago Corporate Finance department from Central Services.

Funds Evaluation FED continued its expansion in 1970, doubling revenue over 1969 and measuring performance on more than 1,100 retirement funds. Effective November 1, 1970, Stu Gassel became Division manager, with Bob Brehm as national sales manager, George Baxter as Canadian sales manager, John Turner as manager of administrative services, Bill Smith as manager of research and computer applications and Dick Frodsham as New York sales manager.

In addition to further penetration of the U. S. and Canadian corporate markets, FED continued to offer consulting services in corporate financial planning for retirement benefits and increased its activities in the labor-management and state and local government retirement funds markets. FED also is developing a new measurement service for institutional clients and other retirement fund money managers.

George Baxter, Bob Brehm and John Turner were elected Vice Presidents during the year and Bill Brock, Dick Frodsham and Bill Smith were elected Assistant Vice Presidents. Joining us during the year were Derek Denwood, Carol Fochesato, Chris Frankenhoff, Mike Green, Frank Meyer, Al Pisterzi, Don Scudder, Al Smith, Marilyn Sulewski and Tony Wilson; Jean Martin transferred into the Division from Personnel and Hy Topinka from Programs and Systems. The death of Kenneth S. Sheperd meant the loss of a beloved and valuable associate.

EQUITY MARKETS ACTIVITIES

Exchange Operations Our Midwest Exchange activities, under the new leadership of Jim Kipp, performed especially well during the year despite especially difficult trading markets. Jim was also recently honored by election as a governor of the Midwest Stock Exchange.

Our Exchange Operations activities were significantly expanded during the year by our becoming a registered specialist on the American Stock Exchange in some 45 issues. This was accomplished through the acquisition of the business formerly conducted by Elwell & Co., with John Ward joining us as a Vice President and manager of our Specialists group on the American Stock Exchange, Vincent Elwell joining us as a Vice President, and Don Elwell and Jim Kelly joining us as Assistant Vice Presidents.

Joining our organization during the year were Bill Grace, New York Stock Exchange, who was elected a Vice President; Wally Boyle, Midwest Stock Exchange, who was elected an Assistant Vice President; and Shiels Hoelscher, Pacific Coast Stock Exchange. Ken Clarke was elected a Vice President during the year and Bom Lee, Ken Mjoen, Carmine Monteforte (who joined us with the acquisition of Elwell & Co.), Joe Reed and Bart Winn were elected Assistant Vice Presidents. Maynard Winston transferred into the Chicago department from General Accounts late in the year.

Trading The development of several of our young traders as well as the emphasis on, and results of, our special Institutional effort were highlights of 1970. The department completed negotiations in March for the sale of its Quiktrade System to an IBM subsidiary. John Tognino, who joined us early in the year, was elected an Assistant Vice President and then a Vice President in addition to being appointed national manager of our O-T-C Trading activities. John Burman was appointed manager of the Chicago department. Charlie Lein was elected an Assistant Vice President. Recently joining us in New York were Bob Filippone and Bill Shepler who, along with Bob Begley, will provide greater strength as we increase our O-T-C Institutional Business. Mark Gleason joined us recently in Chicago.

Syndicate Participations in corporate underwritings for 1970 set a record in both the number of issues and dollar amount. A decline in equity activity was more than offset by substantial gains in debt activity. The record dollar amount of offerings managed by our firm played some part in increasing our participations and, of course, contributed significantly to the workload of the department.

Ray Ryan, who had spent a year away from the firm and the investment industry, rejoined our organization as a Vice President; in addition to his other managerial responsibilities in O-T-C and Exchange Operations activities, he assumed overall supervision of our Syndicate activities. Lon Moellentine was appointed assistant syndicate manager and was elected an Assistant Vice President.

PORTFOLIO SERVICES ACTIVITIES

General Accounts In March the name of the Retail Sales Division was changed to reflect changes in orientation, including an increased emphasis upon the select client and money management sector of the individual accounts market, as well as increased coverage of institutional investors. Performance, as in the preceding year, was adversely affected by poor equity markets and volume, at least for the first three quarters of the year. Substantial gains were made in improving the quality of individual and institutional accounts covered and in the business done with such accounts. This progress should provide a solid foundation for future results.

John Rogers assumed the top management responsibilities for the Chicago General Accounts department, ably assisted by Rob Brown. John Webster became manager of the New York department when John Levy became head of the firm's institutional sales departments.

Elections during the year included Rob Brown, Jim Morton and Malcolm Schoenberg as Vice Presidents, and Alan Rappaport and Steel Bokhof as Assistant Vice Presidents. New associates joining us during the year were Kathy Blair, Sam Gordon, Wayne Jagusch, Jim Mabie, Malcolm Moore and John Stepan. We also welcomed back Frank Kiser. Transferred into General Accounts work were Kris Martin from the Funds Evaluation Division, Steve Barney and Bill Pritikin from Institutional Sales, Dorothy Jelinek from Investment Research, and Frank Brickler from Margins.

Institutional Sales Our institutional sales efforts were restructured late in the year with the objective of achieving a unified and intensive national coverage of the country's largest institutional investors, coupled with a comprehensive program to cover all other sectors of the institutional market. John Levy was appointed national manager of Institutional Sales, with responsibility for the firm's entire institutional marketing program. Pete Kelly was appointed manager of our block desk in New York, and was also elected a Vice President. Pat Kealy and Wally Sutherland were elected Assistant Vice Presidents. Neil Brown transferred into the department from the Order Desk in Chicago. Dick Heisel and Bob Parish joined us in San Francisco.

International Institutional Our potential for expanding in the European investment markets was considerably enhanced by the impressive aggregate experience and talent of new associates in our Geneva office. Joining our organization during the year were Max Bosshard, who has been appointed manager of the office, Pierre Bottinelli, George Thurig, Marco Daldini, Jean Marie Mugny, and Paul Muller. Hans Mosimann joined the department in New York, and Jean-Jacques de Bethmann was elected an assistant Vice President.

Investment Research Our Investment Research department refined its product development and organization during the year, and is expected to provide both valuable product and marketing support for the heightened institutional program being undertaken by the General Accounts and Institutional Sales departments.

Elections in the department included those of Dick Magnuson as a Vice President and Chris Stavrou as an Assistant Vice President. Joining us during the year were Hal Harmet, specializing in the drug and general health industries, who was elected a Vice President, and John Ingersoll, specializing in steel, aluminum, copper and mining stocks and other basic industries, who was subsequently elected an Assistant Vice President.

OPERATIONS

1970 was essentially a year of consolidation and tightening up in the Operations Division in connection with carry-over of problems emanating from the paperwork crush of 1968-1969.

Highlights of the year were an improved balancing of reciprocal accounts; a substantial reduction of fails; minimization of stock record breaks; improved ability to move securities, and the cross-training of supervisory and clerical personnel. Securities processing efficiencies resulted in substantial reduction in our cost of money.

A further highlight of the year was the acquisition of a Specialist Clearance capability to clear not only the firm's specialist trades on the American Stock Exchange but also the trades of three other ASE specialist firms. Heading up this operation is Don Messemer, previously a partner in charge of Operations at Andrews, Posner & Rothschild, who joined us together with 14 of his Operations staff.

Ray Holland, appointed national manager of the Operations Division in March, was instrumental in successfully leading the Division through a demanding period.

In Chicago, Ben Witt was appointed manager of the Operations department, and Steve Stock was appointed assistant manager. Howard Du Chene, Jr., was appointed supervisor of the Margin department; Ron Ekstrom supervisor of the Control department; Ed Keslinke supervisor of the Dividend department; Burton Mall manager of the Programs and Systems department; and John Detrick assistant supervisor of the P&S department.

In New York, new appointments included those of Ray Reilly as assistant manager of the Operations department; Kevin Young as head cashier; Don Ridgeway as assistant cashier; Pete D'Astoli as supervisor of the Stock Record Department; John Ubinski as supervisor of the IBM department and Tom Wybolt as supervisor of the Margin department. Ray Lownes was appointed special assistant to Tom Bradley.

Officer elections during the year included Ray Reilly and Steve Stock as Vice Presidents and Phil Coffey and Kevin Young as Assistant Vice Presidents.

EXECUTIVE/ADMINISTRATIVE

Major progress was achieved during 1970 in strengthening the accuracy and timeliness of the firm's accounting and operating control information systems, the firm's initiation of an internal audit system, and the development of new systems and procedures to cope with the substantially increased regulatory surveillance of the industry. Simultaneously, the expense of these various vital functions was reduced.

The administrative and service functions of the firm were restructured during the year as follows:

Central Support Group Under Jack Wing, this group includes (1) Corporate Secretary, directed by Joyce Carrier; (2) Advertising and Graphics, Dave Scholl, supported by Printing and Supply, Jim Wilke; (3) Underwriting and Editorial Services, Stan Wirt; (4) Internal Audit and Compliance, Ed Reschly; and (5) the Legal and Compliance areas of the firm's activities, including certain administrative aspects of the firm's Investment Activities.

Ed Reschly was elected an Assistant Vice President, as was Barry Haase, who joined our legal department in Chicago.

Central Services Group Under Bob Vance, this group includes (1) Accounting Control and Planning, directed by Phil Alexander, assisted by Marv Letwat, in charge of General Accounting; Tom Matchett, Planning and Cost; and George Attig, Taxes and Special Accounting; (2) Personnel Services, directed by Tom Camden, supported by Jim Tumulty in New York and Jim Anderson in Chicago, and (3) Office Services, directed by Russ Meyer, supported by Ed Russin in New York, Joe Mills in the One First National office, and Chet Netko in the Two First National office.

Phil Alexander was elected a Vice President, and George Attig, Marv Letwat and Tom Matchett were elected Assistant Vice Presidents. Jim Tumulty was appointed Personnel Manager in New York, and Jim Anderson joined us during the year in Chicago.

INVESTMENT PROGRAMS

Becker Technological Associates BTA, organized in 1968 to provide a specialized investment program for the firm and selected clients, worked intensively and successfully during 1970 in its portfolio companies to maintain the thrust of the embryonic enterprises in a recessionary climate. In addition, BTA made investments in six companies not previously in its portfolio, selected after a review of several hundred candidates. Further, BTA established close rapport with other leading venture capital groups, which has become increasingly significant in view of the syndicate-type approach employed in such investments. Barry Friedberg joined Tank Schiavoni and Paul Judy on the BTA Investment Committee during the year. Peter Imperiale was elected an Assistant Vice President of our firm. Joining us during the year was Paul Ferri.

Becker Entre-Capital Becker Entre-Capital's first full year was devoted primarily to developing a pool of managers meeting minimum standards of having successfully managed a company with $10 million sales. The pool now numbers in excess of 100, resulting from 700 actual interviews and initial screening of thousands of names. Considerable effort was also expended in publicizing the creation of BEC and the types of transactions in which it would be interested. Emphasis toward the end of the year has turned to identifying companies suitable for the BEC investment approach. Joining our staff during the year were Piers Curry, who had been a manager with Arthur Young, and Brad Neubauer, who transferred from our Corporate Finance Division.

SUMMARY

Although our profits did not reach a record high, 1970 was probably the best of many recent years.

The environment in which we operated during most of 1970 encompassed the worst stock market conditions experienced for some 40 years, a series of corporate liquidity crises of major proportions, and substantial and widely publicized industry problems. Through it all, we were able - - with few exceptions - - to control our market exposure, reduce or eliminate expenses, maintain management control over our diversified activities, and yet also sustain previously committed longer term investments in organizational development and expansion programs.

We were able to do these various things and also develop a very satisfactory profit, which in turn could be shared with all employees.

In addition, we experienced success, showed substantial progress, or garnered strength successfully to exploit opportunity in a number of more specialized areas of the business, each contributing to our further diversification. Included in this area of achievement were the excellent government bond trading results for the year, the significant progress in corporate bond distribution, the acquisition of an excellent ASE specialist operation and specialist clearance capability, and the addition of a talented group of new associates in our Geneva office.

During 1970, we saw the benefits of team work, at all levels. Even in those areas of our business which were most adversely affected by the environment, a new sense of teamwork is emerging to exploit the better times which appear to be ahead.

The business environment for almost every one of our activities should be better during 1971 than in 1970. Results during the early part of our fiscal year have been excellent. We are prepared to handle an increased business flow in almost every phase of our organization without substantial personnel additions or supporting facilities. With the kind of caution, control and teamwork developed in 1970, 1971 should be a good year.

In August, when we seemed clearly to be adjusting successfully to our unfavorable business environment, our operating results were becoming much improved, and everyone was increasingly working together, Jim Becker said how proud he was of the organization's morale, and the firm's capacity to operate smoothly through substantial change and difficult times. We in turn can be proud of this compliment, and we should always remember and follow Jim's desire that we help each other to achieve common goals.

Happy New Year to everyone!

Paul R. Judy
President