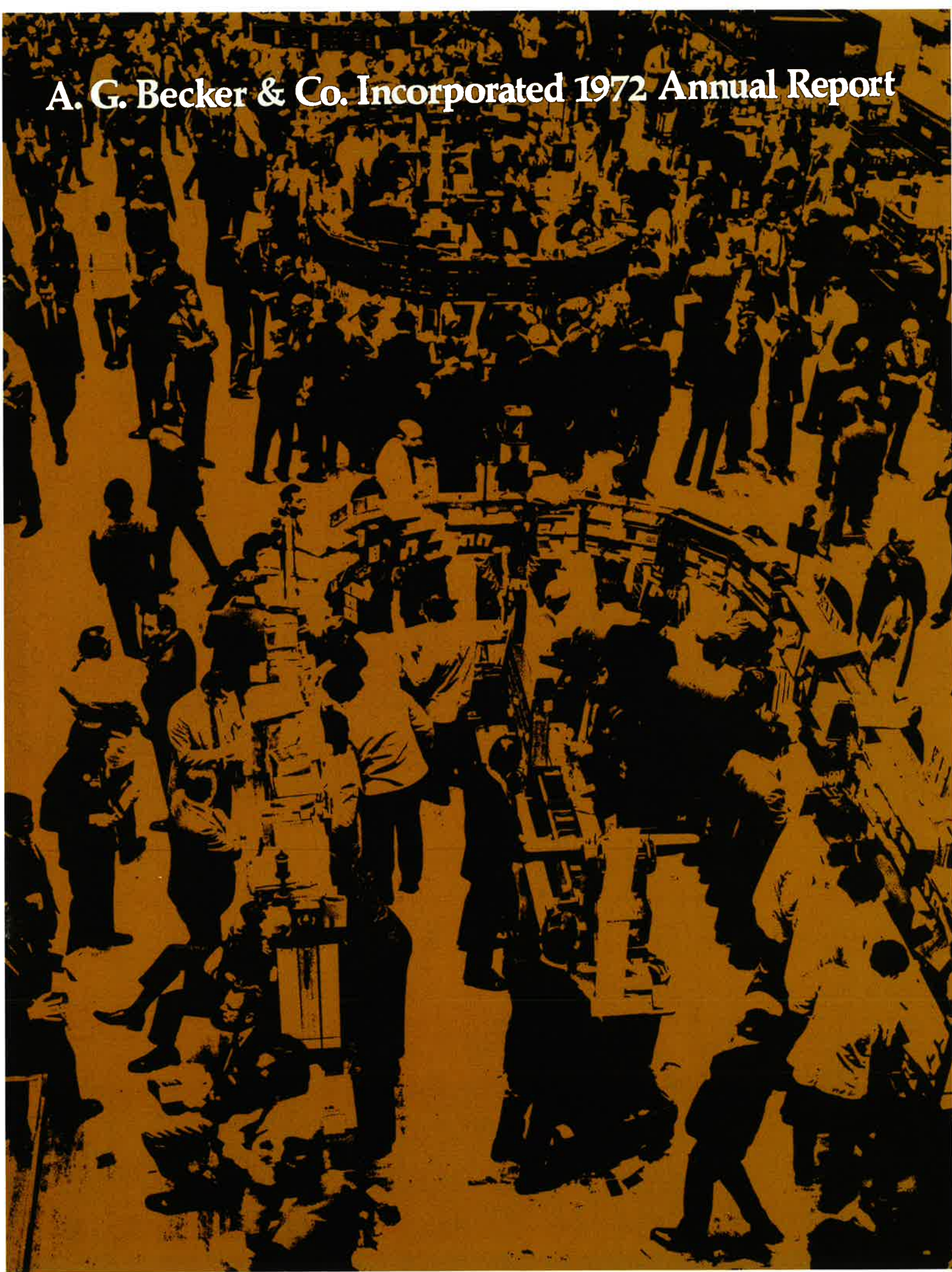


# A. G. Becker & Co. Incorporated 1972 Annual Report



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## The Cover

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*The cover photo was taken on the floor of the New York Stock Exchange and is symbolic of A. G. Becker & Co.'s extensive exchange market-making activities throughout the country. We are one of the leading listed security market makers in the industry; our operations on the three main regional exchanges are either the largest or among the largest on each exchange.*



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Paul R. Judy  
President

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## President's Letter

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A. G. Becker & Co. completed fiscal 1972 quite satisfactorily. Progress in our operational programs was substantial and quite acceptable overall financial results were achieved. Following a practice initiated last year, we are pleased through this Annual Report to summarize the highlights of our 1972 activities.

Planning is a vital part of our business. Each year we formally develop and adopt programs and financial objectives for the coming year which are based upon a predicted economic environment and which encompass steps toward longer term goals. To us, an important measure of our progress over time is how well we are able to accomplish our established objectives.

At the beginning of 1972, we set out to extend our leadership in a number of markets through selected operational programs. We committed to substantial expenditure plans to innovate and improve certain services and to achieve specific organizational and systems goals. We resolved to cope successfully with unexpected opportunities or adversities which might emerge during the year. Finally, we renewed our commitment to conduct our business with an ever-present regard for human values and aspirations both within our organization and the communities in which we operate.



We established our 1972 financial objectives taking into account a careful analysis of our current earning power, the level of expense investment committed to future development, and a forecast of economic and securities market conditions.

Looking back, we achieved or exceeded most of our operational program objectives. Of those objectives not completely achieved, some were too ambitious. In the case of others, our performance was lacking, and in these areas, our efforts will be redoubled in 1973.

The financial progress of our operating activities for 1972 was less than we had set as an objective at the beginning of the year, but satisfactory relative to the economic and competitive environment which actually emerged. Our total financial progress, including the results of our various investment programs, was quite acceptable.

Thus, A. G. Becker & Co. continued in 1972 on the course it has taken for many recent years — the building of a modern, client-oriented and responsive financial services organization on the foundation of tradition and integrity initiated some 80 years ago.

As 1973 opens, we continue to plan for inevitable change and growth. It is difficult to conceive of an alternative. In this continuing process, we will always remember our traditions, but we are dedicated to innovation. We are in an industry that is generally considered to be slow to adopt new approaches, and yet we find that over half of our current business consists of rendering services or engaging in activities which did not exist or in which we were not involved just a decade ago.

On behalf of the officers, directors and shareholders of A. G. Becker & Co. we wish to thank all of our clients and friends for the chance to be of service and to help them toward their objectives. We also wish to thank our many employees for their loyal and dedicated efforts during 1972.



Paul R. Judy  
President

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## Credit Securities Leadership.

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By handling more than \$45 billion in credit securities transactions during 1972, A. G. Becker & Co. maintained its position as one of the country's leading dealers in prime corporate and government obligations. Significant progress was made during the year through a number of related programs designed to extend and broaden our market position in this sector of the nation's securities markets.

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**Prominence In Commercial Paper.** During fiscal 1972 we maintained our position as a leading dealer in the short-term promissory notes of major industrial, utility and financial corporations. We continued to expand our marketing organization and believe we have the largest specialized distribution capability of any commercial paper dealer. The total volume of commercial paper handled during the year once again exceeded \$25 billion.

Since our founding in 1893, we have based our commercial paper business on dealing as a principal. Consistent with this philosophy, we have emphasized the existence and planned maintenance of sound financial policies and positions by our client issuers. Throughout 1972, the comprehensiveness of our credit policy, analysis and review programs was recognized by issuers, investors and financial sources.

It has also been a traditional objective of A. G. Becker & Co. consistently to be prepared to buy approved paper from issuing clients and established investors in amounts they desire and on a favorable basis to them. To this end, we continued in 1972 to broaden our marketing organization and financing network, not only to meet our 1972 needs but to maximize our potential services in future years.

Excellent progress was also made during 1972 toward our objective of providing issuing clients with greater information about our placement of their notes and the benefits of their issuance programs.



*During 1972, A. G. Becker & Co. substantially increased its participation in the market for U. S. Government and agency securities. Above, Tom York (standing) and Jack Donahue check the sales status of the co-managed \$400 million Farmers Home Administration Notes offering in June in which A. G. Becker & Co.'s own sales exceeded \$60 million.*

**Broadened Dealings In Bank Paper.** Over recent years, we have particularly expanded our dealings in short-term obligations of major bank and bank holding companies. These instruments include negotiable certificates of deposit, bankers' acceptances (both trade and finance), bank holding company paper and obligations issued under bank letters of credit. The total volume of these instruments handled by us in 1972 well exceeded \$6 billion.

According to available statistics, our activities accounted for some 15% of the secondary market dealings in certificates of deposit. During 1972, we also became a major dealer in the market for bank holding company paper. Since initiating dealings in bankers' acceptances in February, 1972, we have handled approximately 12% of the total dealer volume since that date. Included in our overall penetration is a 40% share of the volume in finance (working capital) acceptances, a market in which we have taken particular interest.

**Eurodollar Markets Entered.** In September we established a money market group in our London office to deal in Eurodollar commercial paper and bank certificates of deposit. Initial operating results have been gratifying and we look forward to providing expanded services to participants in the Eurodollar money market.

**Corporate Bonds Expansion.** Our program to expand our corporate bond distribution and trading capability proceeded on schedule during 1972. Our primary and secondary placement of corporate bonds was up some 13% over last year, whereas total bond offerings by corporations are estimated to have declined some 20% on a calendar year basis. Further expansion is scheduled for 1973 in this area of our credit securities operations.

**Growth In U.S. Government And Agency Securities Activities.** During fiscal 1972 A. G. Becker & Co. continued to increase its penetration of the government securities market. Although 1972 was our first full year as a primary reporting dealer, we believe that our market penetration approximately doubled during this period.

In addition to our active secondary market operations in federal agency securities, A. G. Becker & Co. bought, as lead manager with four other investment firms, the first issue of U.S. Government Guaranteed New Community Debentures—a \$50 million issue of The Woodlands Development Corporation. We also emerged during the year as a manager, in competitive bidding, for U.S. Government guaranteed debentures of the Export-Import Bank of the United States and for debentures of the General Services Administration. Finally, we were pleased to have served the Farmers Home Administration by co-managing more than \$1.45 billion in FHA securities offerings.

Our role as a co-distributor and secondary market dealer of FNMA Discount Notes was actively sustained during fiscal 1972 through the primary and secondary sale of some \$1.9 billion of such notes.



*Tim Thomas (left) and Robert R. Sefton, of Illinois Bell Telephone Co., confirm the amount, rate and maturity of a commercial paper transaction via Chicago area Picturephone.*

### **Increase In Municipal Finance Activities.**

Our activities as a manager or co-manager of municipal bond offerings increased during 1972 and involved more than \$200 million of municipal financing, an increase of more than 10% over 1971. Marketing and underwriting efforts were strengthened measurably by the initiation of West Coast municipal operations, where, in less than one year, we managed or co-managed some \$33 million in the securities of local issuers.

We continued to be a major participant in the underwriting, secondary market dealing and distribution of short-term, tax-exempt notes. Our underwriting participations and secondary trading commitments during 1972 totalled some \$690 million, up \$115 million over 1971.

During the year, we made excellent progress in our program to become advisor to state and local governments in the formation of authorities to finance education and health facilities. Our Municipal Finance Advisory Service has now arranged to act as advisor or managing underwriter for the expected issuance of more than \$100 million in the securities of such authorities.



*Assisting educational institutions in financing new facilities is a major aim of our Municipal Finance Advisory Service. At Northwestern University, Dick Kavanagh (left) discusses financing plans with William B. Kerr, vice president and business manager of the university.*





## Capital Development For Corporations.

For more than 50 years A. G. Becker & Co. has helped corporations raise capital for growth and expansion. During 1972, we raised some \$800 million of corporate capital through the management of syndicated public offerings, our participation in the offerings led by other managers and our private placement of corporate securities.

**Public Offerings Decline.** During fiscal 1972, we managed or co-managed some \$294 million in public offerings of corporate securities, and we participated in 378 offerings managed by others with total participations amounting to \$227 million. Like most other investment banking firms, the amount of corporate underwriting completed in 1972 was down from 1971, principally as a result of the approximate 11% decline in public financing carried out by the nation's corporations this year versus last.

**Private Placements Increase.** Over the last few years we have ranked among the top ten investment bankers in the nation as to the number and total value of private placement transactions in which we acted as agent. Concentrated effort was given to this specialization during 1972, when we completed 41 such placements totalling \$277 million. This level compares with \$186 million for 1971. Since the end of our fiscal year, we have already completed or arranged commitments for additional placements totalling over \$200 million.

*Tailoring specific capital development plans to suit individual client requirements is an important aspect of A. G. Becker & Co.'s corporate finance activities. Dan Good and Doug Hayes review with Richard A. Thompson (center), Treasurer of Percy Wilson Mortgage and Finance Corp., a subsidiary of U. S. Steel Corporation, details of the \$8.9 million Senior Secured Notes financing for Percy Wilson completed in April.*

**Intermediate-term Note Program.** The interest of corporations in raising funds by the private placement of intermediate-term promissory notes as an alternative to short-term commercial paper, revolving bank credit, or longer-term offerings or placements has grown substantially in recent years. Contemporaneously, a market for such notes has been developed among lending institutions. A program combining our corporate finance and commercial paper facilities has resulted in our development and placement of some \$55 million of these notes during fiscal 1972.

**Lease Financing Services Initiated.** During the past year, A. G. Becker & Co. became active in the structuring of conventional and leveraged leasing transactions and the private placement of both the ownership and the creditor interests in the property lessor. During 1972 we arranged private lease financing having a total value of \$43 million.

**Specialized Services To Financial Companies.** Since early 1960, A. G. Becker & Co. has provided a number of services to the management, creditors and shareholders of finance companies. These services range from financial planning to raising capital. In the late 1960's, this expertise was utilized by industrial and merchandising companies owning or wishing to develop captive finance subsidiaries. In late 1971, we undertook a program to extend further this specialization to bank and other financial holding companies, particularly in connection with their expansion and diversification into such related fields as consumer and commercial finance, leasing and mortgage banking. As of the end of fiscal 1972, we were serving or had served ten of the nation's leading bank holding companies in connection with these activities. This program complements the extensive money market and investment administration services which we also render to financial service companies, as outlined elsewhere in this report.

**Other Services Completed.** A range of other corporate finance services was rendered during the year, including the analysis and negotiation of a number of acquisitions for clients.



## Growth Accelerates In Funds Evaluation Services.

1972 marked the eighth year of our leadership in extending funds evaluation services to trustees and investment managers of retirement and other non-taxable funds. Our firm's full-time staff devoted to these services has grown from four persons in 1965 to over 200 people currently. A 25% growth in this organization was achieved in 1972 alone.

Since our initiation of these services, we have spent over \$3 million to establish and refine the related marketing and data processing support systems. We are making further investments in 1973. Significantly upgraded computer capabilities, video display plotting devices and other advanced data processing systems and publishing equipment will be in operation shortly to provide greater productive capacity and to enhance the quality and timeliness of these services.

A. G. Becker & Co. intends to continue its major commitment to a better understanding and improvement of the investment management process, both as to its artful as well as its scientific components. Our existing and prospective clients can expect a steady stream of new and improved services to this end.



*A team of experienced programmers and systems analysts utilize the latest computer facilities to provide increasingly valuable reports to Funds Evaluation Service subscribers. Above, Jim Whiteley, Mirella Preston and Eve Krell inspect a new video display plotter.*

*Dan Freelund discusses the new Institutional Funds report with John S. Eddy, vice president of Schroder Trust Company.*

**Growth In Services To Trustees.** Both the structure and content of the primary Funds Evaluation Service reports were refined during 1972 to help trustee clients better understand and evaluate the comparative rate of return being earned on retirement fund assets over which they have fiduciary control. These and other changes proved successful as we again saw a rise in the number of subscribing clients. Our clients are responsible for over 1,800 corporate employee benefit and other funds totalling over \$40 billion. One out of every three employee benefit fund dollars in North America is now under evaluation by the A. G. Becker & Co. Service.

**High Acceptance Of New Services To Investment Managers.** During its first year of operation, our new Institutional Funds Evaluation Service exceeded its subscriber and revenue goals. The initial phase of this service is particularly designed to assist the institutional investor in communications with his client or prospective client, and thus includes extensive data about the investment management environment as well as pertinent facts concerning the institution's own results. The Institutional Funds Evaluation Service is derived from the most extensive base of retirement fund investment information available in the world and enables an institutional investor to identify, analyze and present his own particular capabilities to best advantage.

The service has met a high level of acceptance from the country's leading banks, investment counselling firms, insurance companies and other institutional investors. For example, over half of the country's largest banks are already subscribers.

To extend the major commitment we are making in this area, a substantially wider range of related services is under development for subsequent introduction into the market.

*In-depth analyses of the reports Service subscribers receive are given by A. G. Becker & Co. Funds Evaluation representatives. Ed Burke (left) explains details of the revised Retirement Funds report format to William E. Callahan, executive vice president (center), and Frank R. Milnor, treasurer, of International Harvester Company.*



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## Restructuring Of Other Institutional Services Continues.

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Our new Institutional Funds Evaluation Service has been a valuable addition to the traditional services we offer institutional investors. By providing institutional investment managers with a greater depth of information about the investment management environment and their relative performance, we help them make better use of our other services.

**New Thrusts In Investment Research.** Since the mid-1950's, A. G. Becker & Co. has considered investment research the *sine qua non* in its range of services to investor clients. About three years ago, we began particularly to direct our investment research toward the needs of the portfolio manager through an innovative and systematic program. It has been the overall objective of this program to provide investment managers with specific security recommendations within a comprehensive appraisal of the current economic and market outlook. The goal is to assist portfolio managers in achieving superior relative investment performance on a sustained basis.

Major progress was made in our new investment research program during 1972. Among other things, we instituted a uniform measuring program for analyst performance. It is one component in the determination of analysts' compensation. We believe the additional discipline created by this program has resulted in higher levels of analyst creativity, judgment and productivity being offered to investor clients.



*Easy access and retrieval of current reference data for research is the task of our Corporate Records department. Files on more than 11,000 companies are continuously updated by department personnel in our Chicago, New York and Los Angeles offices. At Chicago headquarters alone, more than 350,000 separate new pieces of information are processed each year.*

**"PMA" Well Received.** During 1972, the Portfolio Management Approach program became established as a practical and economical means of communicating our investment research to portfolio managers. The monthly PMA tape cassettes and accompanying booklets are supplemented by the full range of our written investment research recommendations. The total PMA service includes this set of materials plus the personal attention and judgment of a well-trained marketing representative supported by excellent trade execution facilities. The list of PMA subscribers more than doubled during the year to over 300 institutions located in 49 states, Canada and Europe. We look forward to continued growth in this program in 1973.

**Availability of European Services.** Since 1969, A. G. Becker & Co. has offered its systematic research and trade execution services to European institutional investors in American securities. These services are offered through our Geneva and London Offices, both of which enjoyed a steady growth in business during 1972.



*The investment implications of the current economic and market outlook are discussed on cassette tapes sent each month to PMA subscribers nationwide. Don Hahn, director of research-investments (right), tapes a recent month's presentation with Ben Aurand, project supervisor.*



*Representatives of A. G. Becker & Co.'s Portfolio Services Group are available to help clients apply the PMA Service to their specific needs as portfolio managers. John Riley (right) discusses a recent PMA chart booklet with a Chicago client.*



## Equity Markets Involvement Extended.

During 1972 A. G. Becker & Co. further extended the depth of its organization and communications system to support a wide variety of services to investors and dealers in equity securities.

**Execution Services Strengthened.** We were pleased substantially to have strengthened our New York block trading operation during 1972 through the addition of experienced personnel. This step contributed to our improving the share of block trades (10,000 shares or more) we handled on the New York Stock Exchange in the last quarter of our fiscal year versus our share of such trades handled during the comparable period in 1971.

Overall we handled a wide range of customer orders on seven stock exchanges, totalling over 150 million shares and involving over \$5.5 billion. In the course of the year, our share of the total public commission revenue realized by the members of the two largest stock exchanges increased by approximately 32% over our share of such commission revenue at the beginning of the year.

*Action on the trading floor is a distinctive part of the securities industry. From the market's opening to the final bell, our teams of specialists, floor brokers and support personnel are on the go, working on the nation's stock exchanges coast-to-coast.*



**Floor Activities Expanded.** Among the relatively small number of the nation's security dealers who have significant floor operations on all major stock exchanges, A. G. Becker & Co. is distinguished by the extent and depth of its activities.

In addition to providing floor brokerage services through our own personnel on five of the nation's stock exchanges, we act as specialist in 27 securities issues on the New York Stock Exchange, up from 8 issues one year ago. We are specialist in 46 issues on the American Stock Exchange. Our extensive operations on the Pacific Coast Stock Exchange, formerly concentrated in San Francisco, were expanded during the year to include specialist operations on the Los Angeles floor. Our Midwest and Pacific Coast Stock Exchange specialist issues totalled 76 and 191 respectively at year end. During the year we commenced joint-specialist activities in 32 issues on the Boston Stock Exchange and revitalized our floor trading and specialist activities on the PBW Stock Exchange.

Pursuant to a policy we adopted in 1972, our operations in the over-the-counter market for equity securities continued to be concentrated substantially in the trading of corporate client issues and the execution of client orders.

Page 12. Sheldon Katz and Santiago Rodriguez, MWSE (left); Walt Ramsey, MWSE (right)





### Dealer Services Significantly Broadened.

In addition to its varied market making services, A. G. Becker & Co. provides to securities dealers a range of trade execution and clearance services on all of the primary and major regional stock exchanges as well as in the over-the-counter market. At year end, some 103 investment dealers throughout the United States and in Canada were receiving some or all of these services. During the year, services were initiated with 39 new clients, including national retail firms, regional firms, investment banking firms, research firms, U.S. subsidiaries of foreign dealers and smaller firms doing a personalized retail and institutional business. Our total revenues from these services increased by 32% over the 1971 level.



Our basic execution and clearance services were supplemented in 1972 by a number of regular and specialized research, syndicate and corporate finance services to securities dealers.

*Page 13. Jack Ward, NYSE (top left); Carmine Monteforte, AMEX (top right)  
Dave Warner, Rich Hamilton, Charlie Matthews and Sal Ippolito, PBW (center)  
Dennis O'Keefe, PCSE (bottom)*

*A. G. Becker & Co. provides a comprehensive program of services designed to enhance an investment dealer's profitability and efficiency. Below, Jim Kipp (center) is going over A. G. Becker & Co.'s investment research conclusions with Faris F. Chesley, president (left), and Jerome J. Brault, chairman, of Chesley & Co., Inc.*



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## Distinction In Individual Services.

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In addition to serving individual clients in the traditional brokerage role, A. G. Becker & Co. tailors a number of specialized services to clients. Discretionary account management is extended to individuals who wish to have the portfolio management expertise of registered representatives selected for their experience and capabilities. Our distinctive "group approach" of servicing individual accounts allows individuals the benefits of personal attention coupled with shared analysis in the handling of their accounts. This approach also permits continuity in the servicing of individual accounts regardless of business travel, vacation or illness on the part of the registered representative. All our individual services are backed by the full benefits of our investment research program and execution facilities.

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**Rule 144 Service Initiated.** During 1972, a new service was designed to assist a select group of stockholders in the disposition of "restricted" securities. This service resulted from the adoption by the Securities and Exchange Commission of precise standards for the sale of such securities in non-registered transactions governed by Rule 144 under the Securities Act of 1933. We have a group of specialists to assist clients in the completion of the technical requirements for such sales and subsequently to ensure that they are made within the limitations specified in the Rule.

**CPSS Introduced.** Also during the year, we introduced the Client Portfolio Service System (CPSS), which provides our registered representatives and clients with current, thorough and accurate records of all trading information on portfolios which qualify for the service. The system records and displays the purchase price, current price, realized and unrealized gains and losses along with dividend and interest income in portfolio securities on a year to date basis. Because CPSS includes information for the year, on liquidated holdings as well as current holdings, it serves as a valuable source of information for tax and planning purposes.

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**Investment Counselling Service To Be Introduced.** Another new service for the substantial individual or family investor is expected to be introduced early in 1973. Through a wholly-owned subsidiary, Mid-Continent Capital Inc., which will be registered under the Investment Advisors Act of 1940, investment counselling services will be made available to select individuals and family units. Mid-Continent will have its own full time and separately quartered staff and will render discretionary management to qualifying portfolios of \$500,000 or more. As a matter of policy, no funds of an institutional or public beneficiary character will be accepted for management by Mid-Continent.

*Malcolm Moore reviews with a client the CPSS reports on his account.*



## Added Diversification In Private Investment Services.

Through specialized programs, A. G. Becker & Co. provides individual investors of substantial means and selected institutional investors with the opportunity to participate in promising investment situations which involve higher than average financial risk.

One of these programs is conducted through Becker Technological Associates, a private investment partnership. Since its inception in 1968, this partnership has been active in providing investment capital and financial management services to technologically oriented companies in the developmental stage of growth. During 1972, BTA invested some \$1.2 million in three new enterprises. These investments brought the total of companies invested in by BTA since its inception to 20. The partnership's estimated equity value at June 30, 1972, was approximately \$18 million.

Through another program, Becker Entrepreneurial Capital, established businesses are purchased through private financing and manager-entrepreneurs are introduced or retained with the view to achieving substantially increased levels of profit. When an appropriate stage of development has been achieved, growth is further enhanced through public ownership. The first investment under the BEC program was completed during 1972 in the amount of approximately \$350,000.

Additionally, A. G. Becker & Co. considers other types of venture investments which do not fit these specialized programs. During 1972 approximately \$700,000 was invested in four new opportunities while four other investments were fully or partially liquidated.

**Becker Communications Associates To Be Formed.** Early in 1973, A. G. Becker & Co. expects to have completed the formation of Becker Communications Associates, a private investment partnership with capital in excess of \$10 million created to provide specialized services relating to the financing needs of CATV and related communications systems. The staff which will serve this partnership includes individuals experienced in CATV system financing as well as in corporation credit and finance. We believe the BCA program and capabilities will provide a blend of expertise particularly suited to assist CATV and communications systems owners and managements in meeting their financing requirements.

*BTA manager Tanc Schiavoni (right) reviews a possible co-investment situation with Patrick Welsh of Citicorp Venture Capital Ltd., a wholly-owned venture capital subsidiary of First National City Corporation.*





## Operational, Administrative And Facilities Programs Continued.

Competence in operational and administrative activities will continue to be a cornerstone of client service for many years. We were therefore gratified with the success of our 1972 program to improve and refine our internal operating and administrative systems. An increase in transactional processing and organizational size was handled without strain.

A major project to identify our longer term operational data processing needs in the years ahead was completed during the year. In addition we implemented and monitored the findings of a 1971 internal industrial engineering study identifying the capacity and related manpower needs of every step in our present securities transaction processing system. The implementation of this program was one of the reasons for the ease with which the 1972 operations requirements were met.

We were disappointed in not being able to complete in 1972 the move of our entire New York staff to new and expanded facilities as planned for 18 months. The move has now been delayed over 6 months by strikes. It will hopefully be completed within the coming few months. No other major changes in office facilities are planned for 1973.



*Operational integrity is an absolute necessity for a securities firm. Above left, proper and efficient sorting of stock certificates is essential to account security.*

*Computerized reporting systems assist managers in the administration and control of daily operations. Left, John Jackson loads a tape drive at A. G. Becker & Co.'s computer center.*



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## Progress In Community Service.

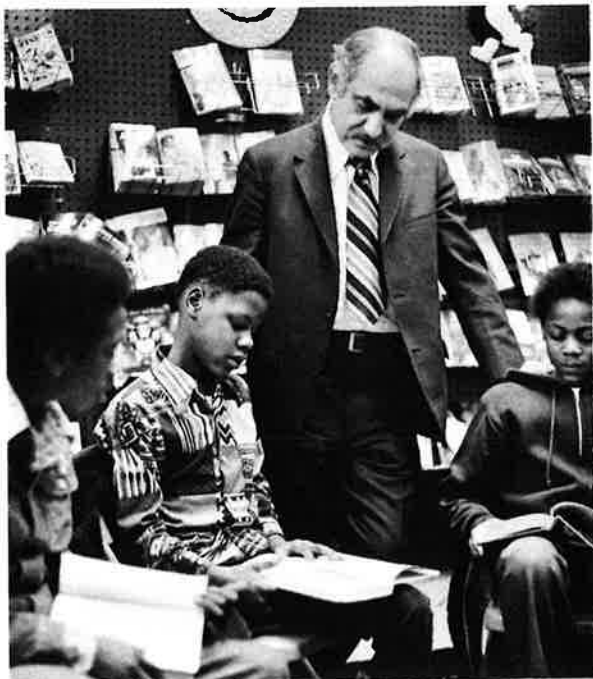
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1972 saw an acceleration in the progress we are making as a business organization in helping to meet the varied social needs of the communities in which we operate. A number of our employees actively supported and provided significant community services for the first time due to the firm's encouragement. Community fund giving by our employees reached a new record in 1972. Although much progress is yet to be achieved in this program, we were pleased with our early results.

Also during the year, the A. G. Becker Foundation selected ten young Chicagoans as recipients for financial support from the James H. Becker Fund. We are very proud of these young people and the self-help progress they are making with our assistance.

*Stan Wirt, executive director of the A. G. Becker Foundation, visits a day care facility operated by the Chicago Youth Centers. (left)*

*James H. Becker Fund award recipient Jim Demus was also a summer employee at A. G. Becker & Co. Here, Jim receives job instructions from Jean Martin, officer in charge of the firm's Funds Evaluation data entry group. (right)*



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## Future Industry Structure Remains Uncertain.

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Developments during the year bearing on the future structure and regulation of the securities industry were many and diverse, but hardly conclusive. However, we think 1973 will see a legislative, regulatory or judicial resolution of at least some of the complex issues involved. As a firm, through testimony to the Securities and Exchange Commission, we have presented our views as to how we believe the prominent issues should be resolved.

At the same time, we are no more certain than other concerned participants as to how or when many of the key issues will actually be resolved. Thus, we intend to continue to manage our business in the way we outlined in last year's Annual Report:

*"...to rely on our basic strengths — a capacity to look ahead, to identify markets and services on a systematic basis, to shape objectives and develop plans, and to organize and manage selected operating programs through team effort which satisfy the evolving needs of our existing and prospective clients."*



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## **A. G. Becker & Co. Services**

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### **To Corporations**

- ☐ Formation and implementation of commercial paper issuance programs.
- ☐ Private placement of intermediate and long-term credit securities.
- ☐ Management of and participation in public offerings of debt or equity securities.
- ☐ Assistance in acquisition, merger, consolidation and divestment programs.
- ☐ Structuring of conventional and leveraged lease financings.
- ☐ Financial planning services.
- ☐ Assistance in the formation of captive finance subsidiaries.
- ☐ Execution of transactions in listed and unlisted corporate and municipal securities.
- ☐ Investment programs in short-term credit securities.
- ☐ Maintenance of primary trading markets in an issuer's securities.
- ☐ Participations in specialized venture investment programs.
- ☐ Evaluation of employee benefit fund investment programs.

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### **To Institutions**

- ☐ Order executions on all major stock exchanges and OTC.
- ☐ Execution and positioning of block transactions.
- ☐ Portfolio management oriented investment research.
- ☐ "PMA" service.
- ☐ Underwritten offerings and secondary markets in debt and equity securities.
- ☐ Primary dealings in a wide range of short-term investments.
- ☐ Debt and equity securities offered by private placement.
- ☐ Venture capital investments and programs.
- ☐ Evaluation of investment management performance, client communications, and related matters.

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### **To Governments And Their Agencies**

- ☐ Management of and participation in negotiated and competitive public offerings of the securities of federal and municipal governments and agencies.
- ☐ Secondary market services in such securities.
- ☐ Advice as to the structuring and pricing of such securities.
- ☐ Specialized advisory services for state authorities formed to fund health and educational facilities.
- ☐ Specialized advisory, management and secondary market dealer services regarding short-term borrowing programs.
- ☐ Evaluation of employee benefit fund investment programs.

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### **To Individuals**

- ☐ Trade executions in listed and unlisted equity and credit securities.
- ☐ Custodial services.
- ☐ Portfolio management oriented investment research.
- ☐ "Group Approach" account coverage.
- ☐ Discretionary account services by selected registered representatives.
- ☐ Client Portfolio Service System for qualifying portfolios.
- ☐ Private investment opportunities for substantial individual investors.
- ☐ Investment counselling services for individual or family unit portfolios in excess of \$500,000.
- ☐ Specialized assistance in the sale of "restricted" securities.

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### **To Investment Dealers**

- ☐ Specialists services on national and principal regional stock exchanges.
- ☐ Primary OTC markets in selected securities.
- ☐ Sales-oriented supplementary research services.
- ☐ Exchange execution and operating services.
- ☐ Specialist clearance services.
- ☐ OTC transaction clearance services.
- ☐ Participations in managed public offerings.
- ☐ Advice or joint working role on corporate and municipal financings.
- ☐ Assistance in securing capital for own business.

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**A. G. Becker & Co. Incorporated**  
**Financial Review**

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**Financial Progress**

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While revenues for 1972 advanced to \$69,545,000, up some \$5,449,000 over 1971, operating income before taxes declined to \$5,873,000, some \$2,350,000 or 29% less than earned in 1971. Net operating income after taxes was \$2,605,000, down 34% from the record level earned in 1971.

Non-recurring charges (net of taxes) totalled \$616,000 and were in part offset by income on investment securities (net of taxes) of \$348,000. Net income was thus \$2,337,000 vs. the \$3,905,000 realized in 1971.

The Company's reported net income does not include a gain realized on an investment which was sold in the final days of the fiscal year. This transaction did not settle until the early days of fiscal 1973, and, under the Company's accounting policies, the related income will be recorded in the year of settlement. The gain (net of taxes) realized on this investment was approximately \$3,950,000.

Stockholders' equity increased during this year to \$28,393,000, which amount does not include the net investment gain described in the preceding paragraph.

In broad summary, the Company's operating income before taxes declined on a year-to-year basis because the profit contribution added by the increased commission and floor brokerage income was less than the contribution lost in the reduced trading and underwriting income. This net reduction in income was further impacted by the effect of higher interest rates and continued but planned organizational and systems development expenses.

