END OF AN ERA AND NEW HORIZONS

We meet this year 12 days after a change in our top command. On April 30, Harvie Wilkinson retired, and the next day Kay Randall became UVB's chief executive officer. Such a change—especially where the retiring and incoming Presidents are so notable—is significant in the life of our enterprise. Indeed, it is a time to look backward with nostalgia and with pride. It is also a time to look forward to new horizons.

In the institutional life of UVB, this change in command happens to coincide with fundamental changes in the regulatory framework within which UVB must operate. We thus not only have a new captain, we also are entering a new era.

I thought it would be of interest—and possibly instructive—to identify the changes which propel us into
THIS NEW ERA. IT MAY SEEM PRETENTIOUS TO SPEAK OF "ERAS" IN AN ENTERPRISE AS YOUNG AS OURS. YET, THE CHANGES ARE SUFFICIENTLY PROFOUND TO AFFECT MATERIALLY THE FUTURE OF UVB AND, INDEED, OF ALL OTHER MAJOR BANKING ENTERPRISES.

REGULATORY RESTRICTIONS ON EXPANSION

THE FIRST OF THESE IS THE DRASTIC CHANGE IN REGULATORY CLIMATE WITH RESPECT TO EXTERNAL EXPANSION. UVB COMMENCED OPERATIONS IN 1963 WITH SIX BANKS AND TOTAL ASSETS UNDER $400 MILLION. IN THE INTERVENING YEARS, WE HAVE ACQUIRED NINE ADDITIONAL BANKS (SOME BY MERGER AND OTHERS AS AFFILIATES). TOTAL ASSETS OF UVB AT MARCH 31, HAD GROWN TO OVER $1.3 BILLION. ALTHOUGH IT IS IMPOSSIBLE ACCURATELY TO DISTINGUISH BETWEEN INTERNAL AND EXTERNAL GROWTH, IT IS ESTIMATED THAT APPROXIMATELY 33% OF UVB'S GROWTH TO DATE HAS RESULTED FROM ACQUISITIONS.
There will be no corresponding growth from acquisitions in the years ahead. There remain in Virginia approximately 170 independent banks out of a total of 254 in the state. While the availability of attractive independent banks is a limiting factor, the acquisition era as we have known it has ended primarily because of drastic changes in regulatory policy and judicial interpretation of the antitrust laws.

An after-dinner speech is hardly the most enchanting time to deal with this frustrating subject. But as bank directors and officers, we have a responsibility to know the broad framework. I shall sketch it briefly and in nonlawyer terms.

When we launched this enterprise in 1963 it was generally thought that the antitrust laws were not applicable
to banks. This comforting belief was shattered a few months later by the Philadelphia National Bank case.

In the intervening years, the courts and the regulatory agencies have taken an increasingly restrictive position with respect to acquisitions. In the recent Phillipsburg case, the Supreme Court overturned the merger of two small banks whose combined assets were only $41 million. As Mr. Justice Harlan stated in dissent:

"After today's opinion, the legality of every merger of two directly competing banks - no matter how small - is placed in doubt."
Let me illustrate what has happened by our experience in Virginia: Although to Jimmy Tyler and his associates it may seem an aeon of time, UVB acquired Seaboard as recently as January 1, 1967. This was an adventurous move at the time. Such a move now would be regarded almost as irrational.

The antitrust laws began closing in on UVB with the acquisition of the $20 million National Valley Bank of Staunton in November 1968. Although there was no direct competition, and the bank was only the second largest in its service area, the favorable vote in
the Federal Reserve Board was 4 to 3. The Justice Department opposed the merger, and withheld suit only on the last day.

Our string ran out with Manassas. Here we sought Peoples National — a bank of $19 million in assets in a town and county where we do not compete. Peoples National was the largest remaining nonaffiliated bank in Manassas, but it faced intense competition from two affiliates of other statewide leaders. Peoples National also had a number of other problems which its Board believed could best be solved by affiliation with JVB. To any detached observer — interested in providing better banking services rather than the abstractions of Justice Department theorists — the merger is definitely in the public interest.

By a 4 to 3 vote the Federal Reserve Board approved, but Justice — the Department of Injustice as Harvie Wilkinson calls it — filed suit to enjoin. Although admitting the
ABSENCE OF DIRECT COMPETITION, JUSTICE IN ITS COMPLAINT RELIES PRIMARILY ON A DOCTRINE IT SEEKS TO ESTABLISH AS THE NEW LAW OF THE LAND, NAMELY, THAT THE REAL TEST IS POTENTIAL RATHER THAN ACTUAL COMPETITION. ACCORDING TO THIS THEORY, IF UVB IS A POTENTIAL DE NOVO ENTRANT INTO PRINCE WILLIAM COUNTY AT SOME INDEFINITE FUTURE DATE, THEN IT SHOULD NOT BE ALLOWED TO ENTER BY ACQUISITION OF AN EXISTING BANK.

BUT JUSTICE DOES NOT STAND ON THIS LEG ALONE. AS UVB IS THE STATE'S LARGEST BANKING ENTITY, JUSTICE ALSO SEEKS TO BLUNT UVB'S EXTERNAL EXPANSION ANYWHERE IN VIRGINIA IF THE BANK PROPOSED TO BE ACQUIRED IS THE LEAD BANK OR ONE OF SIGNIFICANT SIZE.

HERE I MUST SPEAK VAGUELY, AS THERE ARE NO PRECISE GUIDELINES. IT IS CLEAR FROM CASES INSTITUTED IN OTHER STATES, FROM ITS POSITION IN THE MANASSAS CASE, AND FROM FRUITLESS DISCUSSIONS WE HAVE HAD AS TO POSSIBLE SETTLEMENT
of our case, that the Justice Department is likely to oppose the acquisition of any bank with the leading local market position in a sizeable community, quite without regard to actual competition.

The Supreme Court has not yet sustained the Justice Department philosophy with respect to potential competition and to arbitrary restriction on bigness alone. Indeed, several lower courts have decided to the contrary. Yet Justice is persevering, not only in Manassas but in several other cases. Its lawyers say frankly that they are looking for the best test case to take to the Supreme Court. For a while some thought they considered ours to be just such a case, but recent developments indicate that the "test case" probably will come from Colorado; in fact the first of four suits brought by Justice against two Colorado holding companies is being tried at this time.
As a digression, if you think UVB has troubles with Justice, you should be thankful it is not in the position of First National Bancorporation, headquartered in Denver. Since its organization in 1968, that holding company has never successfully completed an acquisition, and it is defendant in three of the four suits brought by Justice in Colorado.

Justice has refused to settle the Manassas case without imposing quite intolerable statewide restrictions on UVB. Fortunately, the District Judge has allowed the acquisition of Peoples National to be consummated subject - of course - to divestment if UVB ultimately loses the case.

Let me cite one example of the impact of all of this on our expansion policy. We have filed an application to acquire Security National of Roanoke, a fine $23 million bank. This is the smallest of seven banks in the Roanoke market. There are two substantially larger independent banks. It is
no reflection whatever on Security National to say that even
two years ago UVB would have looked first to one of these
larger banks. There are obvious economies of scale which,
other things being equal, make the larger banks more attractive.
Yet, it was reasonably clear that Justice would have opposed
our entering the Roanoke market at a higher level of size.

In the present state of the law, we think we had the
legal right to acquire a larger bank. But this would have
invited almost certain Justice Department intervention.
Antitrust litigation is protracted, expensive and disruptive.
Prudent management naturally wishes to avoid it - at least
until the Justice Department theories have been tested by the
Supreme Court.

It is thus evident that UVB’s external expansion
program has been reoriented - not because of what sound
economics or the public interest would dictate - but because
Theoricians with little or no banking experience seek to impose a doctrinal straight jacket upon such expansion.

This is not to say that UVB will make no further acquisitions. As illustrated by Security National in Roanoke and Eastern Shore Citizens Bank, which will be merged with Seaboard effective June 1, we will continue to seek new partners where we think this is in the public interest, where in the long term it will strengthen UVB, and where we judge that if the Justice Department intervenes we will prevail.

1970 Amendments - Bank Holding Company Act

I will now talk, also in general terms, about the 1970 amendments to the Bank Holding Company Act, effective January 1. They constitute the second major regulatory development which will affect the future course of UVB's growth.

The amendments had two principal objectives: They sought first to bring under federal regulation the hundreds
OF ONE BANK HOLDING COMPANIES WHICH HAD BECOME SO FASHIONABLE ACROSS THE LAND. THIS CHANGE IN THE LAW - WHILE NOT WELCOMED BY ALL OF OUR FRIENDS AND COMPETITORS - HAS THE VIRTUE OF SUBJECTING ALL BANK HOLDING COMPANIES TO THE SAME RULES. PERHAPS ON THE THEORY THAT "MISERY LOVES COMPANY" WE WELCOME THIS OVERDUE REFORM.

THE SECOND OBJECTIVE OF THE 1970 ACT WAS TO BROADEN THE PERMITTED TYPE OF NON-BANK ACQUISITIONS. UNTIL THIS AMENDMENT, A BANK HOLDING COMPANY HAD BEEN SEVERELY RESTRICTED AS TO THE TYPE OF NON-BANK ENTERPRISES WHICH COULD BE ACQUIRED.

CONGRESS BELATEDLY RECOGNIZED THAT CHANGES IN OUR BANKING STRUCTURE, AND IN THE TYPE OF SERVICES REQUIRED IN THE PUBLIC INTEREST, JUSTIFIED A LIBERALIZATION OF THESE RESTRICTIONS. SECTION 4(c)(8) OF THE ACT ACCORDINGLY WAS AMENDED TO AUTHORIZE THE BOARD TO ALLOW THE ACQUISITION OF NON-BANKING SUBSIDIARIES ENGAGED IN BUSINESSES SO CLOSELY
RELATEDLY TO BANKING OR TO MANAGING AND CONTROLLING BANKS AS TO BE A PROPER INCIDENT THERETO.

The Board of Governors, in a proposed Regulation Y, has identified ten activities which meet the new statutory test. These permitted activities include—and here in speak generally rather than in legal language: (i) mortgage lending; (ii) operating an industrial bank; (iii) extending fiduciary or trust services; (iv) acting as investment or financial adviser; (v) leasing of personal property; (vi) acting as an insurance broker principally in connection with extensions of credit by affiliated banks; (vii) acting as insurer with respect to insurance sold by the holding company or its subsidiaries as agent or broker; (ix) providing certain types of bookkeeping or data processing services; and (x) making equity investments in community rehabilitation and development corporations.
Some of these activities are noncontroversial. But the prospect of bank holding companies acting as insurance agent or broker even with respect to extensions of credit, or of providing data processing services, has aroused vigorous opposition from those with whom the holding companies might compete.

Although the final form of the regulations is not known, it is likely that they will be adopted substantially as proposed. Moreover, bank holding companies will be permitted on a case-by-case basis to seek Board approval of the acquisition of other businesses deemed to meet the broad standards of the Act. These might include, for example, a savings and loan business or a company providing property management or industrial development services. Ed Gee has even suggested they might include operating a numismatic agency.
A significant aspect of the new opportunities under this act is that they are not limited geographically to the State of Virginia by proposed Regulation Y. While only banks within the state may be acquired, the non-bank subsidiaries may be located and conduct operations anywhere if Regulation Y is adopted as proposed.

Thus, new vistas for expansion into various types of financial services are now open. The day has passed when the banking business is confined to receiving deposits, making loans, and managing trust accounts. You have seen the advertisements on behalf of "full service banks". This is now an accordion-like concept, with the goal of providing through holding companies and banks a broad spectrum of financial and related services. The UVB of the future - while always emphasizing its essential and traditional bank functions -
WILL HAVE UNPRECEDENTED OPPORTUNITIES FOR EXPANDED SERVICES.

**The New Leader**

Now — a word about the new and retiring leaders of UVB. As we enter this new era — with new regulatory ground rules and broadened opportunities — we are blessed to have Kay Randall. There will be other occasions to eulogize him, and he would be embarrassed if I undertook to do it tonight. I will say merely that at the youthful age of 43, Kay already is a national figure in the banking world. Having served with distinction as Chairman of FDIC, and now serving on the President's Commission on Financial Structure and Regulation, Kay Randall is widely known and respected in Washington and across the country. He has won already the respect of his UVB colleagues and demonstrated superior management ability.
THE RETIRING LEADER

I have saved until the end a comment on Harvie Wilkinson. He has been entertained lavishly and has listened to so many laudatory speeches, it would be merciful if I said nothing at all. Indeed, his record speaks for itself. But you would be disappointed, and the record of this occasion would be incomplete, if nothing at all were said about the man whose name is synonymous with UVB.

This is a large and complex organization. It has grown from a mere idea to a nationally respected banking organization in nine short years. Many of you in this room played key roles in this remarkable achievement. Harvie would be the first to say, both in modesty and in truth, that no one man deserves more than a part of the credit.
Yet Harvie Wilkinson was the dynamic leader. It was he, more than any other, who led the fight for the changes in Virginia law in 1962. These changes allowed statewide branching by merger. With Clarence Robinson, Paul Sackett and Burwell Gunn, Harvie completed the awesome team which put together the first six banks.

It was largely Harvie's driving determination that moved the enterprise - by acquisition and internal growth - from assets of less than $400 million to more than $1.3 billion. It was his foresight which assured the abundance of capital, at a reasonable rate, required for this vast expansion. It was also his foresight that provided, not just the able management team of which we are so proud, but a successor to himself of the highest quality.
In his last letter to me as general counsel to UVB, Harvie spoke of action which he desired. He signed his letter "Impatiently yours"! Impatience has been one of his hallmarks. While tolerant of human frailty, and warm and thoughtful of others, Harvie did have a fierce impatience that drove UVB forward — to provide the scope and quality of services which he knew so well Virginia needed if our state is to grow and prosper.

In this process, Harvie Wilkinson led UVB to the position of ranking financial institution in our state. He also became, inevitably, the leading and most influential Virginia banker of his time.

Fortunately, he is not severing all relationship, as he will continue for a period as Chairman of the Finance Committee. In this advisory role, his unique capabilities
WILL BE AVAILABLE TO PRESIDENT RANDALL ON ACQUISITIONS AND CAPITAL STRUCTURE PROBLEMS.

AND SO, AS WE SALUTE OUR FRIEND AND COLLEAGUE HERE TONIGHT - WITH ADMIRATION AND AFFECTION - WE HAVE THE SATISFACTION THAT THE ADVICE OF THIS SUPER-STAR WILL CONTINUE TO BE AVAILABLE TO THE UVB TEAM.
END OF AN ERA AND NEW HORIZONS

We meet this year 12 days after a change in our top command. On April 30, Harvie Wilkinson retired, and the next day Kay Randall became UVB's chief executive officer. Such a change - especially where the retiring and incoming Presidents are so notable - is significant in the life of our Enterprise. Indeed, it is a time to look backward with nostalgia and with pride. It is also a time to look forward to new horizons.

In the institutional life of UVB, this change in command happens to coincide with fundamental changes in the regulatory framework within which UVB must operate. We thus not only have a new captain, we also are entering a new era.

I thought it would be of interest - and possibly instructive - to identify the changes which propel us into this new era. It may seem pretentious to speak of "eras" in an Enterprise as young as ours. Yet, the changes are sufficiently profound to affect materially the future of UVB and, indeed, of all other major banking enterprises.
Regulatory Restrictions on Expansion

The first of these is the drastic change in regulatory climate with respect to external expansion. UVB commenced operations in 1963 with six banks and total assets under $400 million. In the intervening years, we have acquired nine additional banks (some by merger and others as affiliates). Total assets of UVB at March 31, had grown to over $1.3 billion. Although it is impossible accurately to distinguish between internal and external growth, it is estimated that approximately 33% of UVB's growth to date has resulted from acquisitions.

There will be no corresponding growth from acquisitions in the years ahead. There remain in Virginia approximately 170 independent banks out of a total of 254 in the state. While the availability of attractive independent banks is a limiting factor, the acquisition era as we have known it has ended primarily because of drastic changes in regulatory policy and judicial interpretation of the antitrust laws.

An after-dinner speech is hardly the most enchanting time to deal with this frustrating subject. But as bank directors and officers, we have a responsibility to know the broad framework. I shall sketch it briefly and in nonlawyer terms.
When we launched this Enterprise in 1963 it was generally thought that the antitrust laws were not applicable to banks. This comforting belief was shattered a few months later by the Philadelphia National Bank case. When Senator Robertson - and others, including UVB management - sought to have Congress restrict the scope of that case, the results were the amendments of 1966 to the Bank Merger Act. These amendments, instead of ameliorating the situation, have now been construed to codify the most restrictive antitrust implications of the Philadelphia case. The simple truth is that Congressman Patman out maneuvered those who sought a middle-of-the-road solution.

Since 1966, both the courts and the regulatory agencies (especially the Federal Reserve Board) have taken an increasingly restrictive position with respect to acquisitions. In the recent Phillipsburg case, the Supreme Court overturned the merger of two small banks whose combined assets were only $41.1 million.* As Mr. Justice Harlan stated in dissent:

*These two banks did serve the same market and therefore were in direct competition. Even with their resources combined the resulting bank was only the second in size in the Phillipsburg market.
"The Court's disposition of this case provides justification enough from the Department's point of view. After today's opinion the legality of every merger of two directly competing banks—no matter how small—is placed in doubt if a court, through what has become an exercise in 'antitrust numerology,' . . . concludes that the merger 'produces a firm controlling an undue percentage share of the relevant market.' . . ."

Let me illustrate what has happened by our experience in Virginia: Although to Jimmy Tyler and his associates it may seem an aeon of time, UVB acquired Seaboard as recently as January 1, 1967. This was an adventurous move at the time. Such a move now would be regarded not merely as impossible but as irrational.

The antitrust laws began closing in on UVB with the acquisition of the National Valley Bank of Staunton in November 1968. Although there was no direct competition, and with assets of $20 million, that bank was only the second largest in its service area, the favorable vote in the Federal Reserve Board was 4 to 3. The Justice Department opposed the merger, and withheld suit only on the last day.

Our string ran out with Manassas. Here we sought Peoples National—a bank of $19 million in assets in a town and county where we do not compete. Peoples National was the
largest remaining nonaffiliated bank in Manassas, but it faced intense competition from two affiliates of other statewide leaders. Peoples National also had a number of other problems which its Board believed could best be solved by affiliation with UVB. To any detached observer - interested in providing better banking services rather than the abstractions of Justice Department theorists - the merger is definitely in the public interest.

By a 4 to 3 vote the Federal Reserve Board approved, but Justice - the Department of Injustice as Harvie Wilkinson calls it - filed suit to enjoin. Although admitting the absence of direct competition, Justice in its Complaint relies primarily on a doctrine it seeks to establish as the new law of the land, namely, that the real test is potential rather than actual competition. According to this theory, if UVB is a potential de novo entrant into Prince William County at some indefinite future date, then it should not be allowed to enter by acquisition of an existing bank.

But Justice does not stand on this leg alone. As UVB is the state's largest banking entity, Justice also seeks to blunt UVB's external expansion anywhere in Virginia if the
bank proposed to be acquired is the lead bank or one of significant size.

Here I must speak vaguely, as there are no precise guidelines. It is clear from cases instituted in other states, from its position in the Manassas case, and from fruitless discussions we have had as to possible settlement of our case, that the Justice Department is likely to oppose the acquisition of any bank with the leading local market position in a sizeable community, quite without regard to actual competition.

The Supreme Court has not yet sustained the Justice Department philosophy with respect to potential competition and to arbitrary restriction on bigness alone. Indeed, several lower courts have decided to the contrary. Yet Justice is persevering, not only in Manassas but in several other cases. Its lawyers say frankly that they are looking for the best test case to take to the Supreme Court. For a while some thought they considered ours to be just such a case, but recent developments indicate that the "test case" probably will come from Colorado; in fact the first of four suits brought by Justice against two Colorado holding companies is being tried at this time.
As a digression, if you think UVB has troubles with Justice, you should be thankful it is not in the position of First National Bancorporation, headquartered in Denver. Since its organization in 1968, that holding company has never successfully completed an acquisition, and it is defendant in three of the four suits brought by Justice in Colorado.

Justice has refused to settle the Manassas case without imposing quite intolerable statewide restrictions on UVB. Fortunately, the District Judge has allowed the acquisition of Peoples National to be consummated subject - of course - to divestment if UVB ultimately loses the case.

Let me cite one example of the impact of all of this on our expansion policy. We have filed an application to acquire Security National of Roanoke, a fine $23 million bank. This is the smallest of seven banks in the Roanoke market. There are two substantially larger independent banks. It is no reflection whatever on Security National to say that even two years ago UVB would have looked first to one of these larger banks. There are obvious economies of scale which, other things being equal, make the larger banks more attractive. Yet, it was reasonably clear that Justice would have opposed our entering the Roanoke market at a higher level of size.
In the present state of the law, we think we had the legal right to acquire a larger bank. But this would have invited almost certain Justice Department intervention. Antitrust litigation is protracted, expensive and disruptive. Prudent management naturally wishes to avoid it - at least until the Justice Department theories have been tested by the Supreme Court.

It is thus evident that UVB's external expansion program has been reoriented - not because of what sound economics or the public interest would dictate - but because theoreticians with little or no banking experience seek to impose a doctrinal straight jacket upon such expansion.

This is not to say that UVB will make no further acquisitions. As illustrated by Security National in Roanoke and Eastern Shore Citizens Bank, which will be merged with Seaboard effective June 1, we will continue to seek new partners where we think this is in the public interest, where in the long term it will strengthen UVB, and where we judge that if the Justice Department intervenes we will prevail.
I will now talk, also in general terms, about the 1970 amendments to the Bank Holding Company Act. Effective January 1, they constitute the second major regulatory development which will affect the future course of UVB's growth.

The amendments had two principal objectives: They sought first to bring under federal regulation the hundreds of one-bank holding companies which had become so fashionable across the land. This change in the law - while not welcomed by all of our friends and competitors - has the virtue of subjecting all bank holding companies to the same rules. Perhaps on the theory that "misery loves company" we welcome this overdue reform.

The second objective of the 1970 Act was to broaden the permitted type of non-bank acquisitions. Until this amendment, a bank holding company, had been severely restricted as to the type of non-bank enterprises which could be acquired.*

*Those permitted under strict limitations were small business investment companies and Edge Act corporations.
Congress belatedly recognized that changes in our banking structure, and in the type of services required in the public interest, justified a liberalization of these restrictions. Section 4(c)(8) of the Act accordingly was amended to authorize the Board to allow the acquisition of non-banking subsidiaries engaged in businesses so closely related to banking or to managing and controlling banks as to be a proper incident thereto.

The Board of Governors, in a proposed Regulation Y, has identified nine activities which meet the new statutory test. These would permit diversification by the acquisition of companies engaged in: (i) mortgage lending; (ii) operating an industrial bank; (iii) extending fiduciary or trust services; (iv) investment or financial advice; (v) leasing of personal property; (vi) acting as an insurance broker principally in connection with extensions of credit by affiliated banks; (vii) acting as insurer with respect to insurance sold by the holding company or its subsidiaries as agent or broker; (viii) providing certain types of bookkeeping or data processing services; and (ix) making equity investments in community rehabilitation and development corporations.
Some of these activities are noncontroversial. But the prospect of bank holding companies acting as insurance agent or broker even with respect to extensions of credit, or of providing data processing services, has arosed vigorous opposition from those with whom the holding companies might compete.

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A significant aspect of the new opportunities under this act is that they are not limited geographically to the State of Virginia by proposed Regulation Y. While only banks within the state may be acquired, the non-bank subsidiaries may be located and conduct operations anywhere if Regulation Y is adopted as proposed.
Thus, new vistas for expansion into various types of financial services are now open. The day has passed when the banking business is confined to receiving deposits, making loans, and managing trust accounts. You have seen the advertisements on behalf of "full service banks". This is now an accordion-like concept, with the goal of providing through holding companies and banks a broad spectrum of financial and related services. The UVB of the future - while always emphasizing its essential and traditional bank functions - will have unprecedented opportunities for expanded services.

The New Leader

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Kay Randall is widely known and respected in Washington and across the country. He has won already the respect of his UVB colleagues and demonstrated superior management ability.

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by merger. With Clarence Robinson, Paul Sackett and Burwell Gunn, Harvie completed the awesome team which put together the first six banks.

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In this process, Harvie Wilkinson led UVB to the position of ranking financial institution in our state. He
also became, inevitably, the leading and most influential Virginia banker of his time.

Fortunately, he is not severing all relationship, as he will continue for a period as Chairman of the Finance Committee. In this advisory role, his unique capabilities will be available to President Randall on acquisitions and capital structure problems.

And so, as we salute our friend and colleague here tonight - with admiration and affection - we have the satisfaction that the advice of this super-star will continue to be available to the UVB team.
SEMINAR ON THE NEED FOR EDUCATION ABOUT COMMUNISM

(Notes for use in introductory remarks prior to presentation of seminar speakers)

The House of Delegates of the American Bar Association in February 1961 adopted significant resolutions dealing with a pressing educational need. In part, these resolutions said:

"We encourage and support our schools and colleges in the presentation of adequate instruction . . . (on) Communism, thereby helping to instill a greater appreciation of democracy and freedom under law. . . ."

Occasionally the question is asked as to why the ABA - the national organization of the legal profession - should be interested in education about Communism. This question might be answered by saying that all responsible groups have a duty to encourage education which strengthens our country.

But there is a more specific answer, applicable uniquely to the legal profession. Lawyers have a
special responsibility in this area. The first object of the ABA, as stated in its constitution is:

"To uphold and defend the Constitution of the United States and maintain representative government."

If the Communist goal of world domination is realized, the American Constitution and representative government in this country would be destroyed. The rule of law, and the freedoms which it protects, would disappear.

There can be no higher duty of lawyers than to safeguard the institutions which protect the rule of law and which Communism seeks to destroy.

In 1961, when the ABA adopted its resolution there were few secondary schools in all of America which had courses or units on Communism. Even at the college level, the subject was submerged and taught tangentially in connection with other courses.

It is generally acknowledged that the leadership of the ABA contributed significantly to a new awareness of the need to teach this subject - specifically
and thoroughly. Educators welcomed our encouragement. Indeed, it is fair to say that the relationship between the ABA Committee and educators has continued to be one of mutual respect and full cooperation.

And, here, may I emphasize that the ABA has insisted upon genuine education rather than use of our schools for propaganda - even in a worthy cause. As Dr. Sidney Hook has said:

"In order to survive, the free world must acquire a more sophisticated knowledge of Communism. . . ."

If western leaders and peoples had been soundly educated in the decades of the 20's and 30's - if, in Dr. Hook's language, they had then acquired a more sophisticated knowledge of the forces shaping history - the debacles of the 40's and 50's may not have been inevitable.

The western powers misappreciated Nazism - with calamitous results. For more than two decades, we have repeated this same mistake in varying degrees with respect to Communism. There has been a basic
failure on the part of the West to understand the nature of Marxism-Leninism, and to grasp the full and varied dimensions of the Communist thrust for world domination.

The remarkable gains of Communism during this short span of time are without precedent in world history. Contrary to popular belief, there have been few offsetting Free World gains. The territorial march of Communism has been stopped from time to time and the international Communist movement is now in a state of welcome disarray. But no country in which the Communists have seized power has ever thrown off this tyranny. Communism, once in power, has never yielded an inch.

C. L. Sulzberger, distinguished foreign correspondence of the New York Times, recently emphasized the defensive posture of America and the Free World. He spoke of what he termed the "palid cliches" of "intellectuals" who contend "that in the contest for relative supremacy, the West is gaining." Mr. Sulzberger answered as follows:

"This simply is not true."
"This simply is not true. No corner of the Communist world threatens 'to go democratic', but the reverse is often true in the world we know as free."*

The ABA Committee is, of course, not unaware of the new spirit of "Geneva" which has gripped so much of the western world. There are many who now think it bad taste to refer to Communism as evil and as the enemy of freedom. The catchwords of the day are "coexistence", "accommodation" and "convergence". There are even those (e.g. "Ban-the-Bomb" groups) who would disarm unilaterally in the misguided belief - contrary to all history - that the Communists would then live in brotherly love.

In this climate of opinion - this state of euphoria - the need for the ABA Committee's work is not as self-evident today as it was two short years ago when Soviet missiles were being secreted into Cuba.

But this change in public understanding does not mean that the Committee's work is any less

*N.Y. Times, Feb. 26, 1964
vital. It merely suggests that public memory is short and public understanding still unsophisticated. It was Bertram Wolfe, distinguished scholar, who commented:

"For four and one-half decades, we have waited for the Soviet Union to mellow . . . A review of the judgments of statesmen and analysts over these 45 years makes melancholy reading."

It is the hope of our Committee that, through education, the judgments of our statesmen - and the people who support them - will in the future be more realistic.

While the principle threat of Communism lies in the international area, its internal subversion is carried forward in every country.

A message from J. Edgar Hoover to all law enforcement officials has just come to my desk. It is dated October 1, 1964, and relates to what Mr. Hoover describes as the current "intensive Communist Party efforts to erect its new facade on the nation's college campuses". He described the newly created youth organization - the DuBois Clubs of America - being used
to dupe unwary youth. As might be expected, the official insignia of the DuBois Clubs is the dove of peace and its avowed goals are unity and brotherhood. Mr. Hoover points out that behind this false facade of noble purposes lies the reality of Communist "discord, hate and violence".

It is this duplicity - this studied use of semantics to deceive - that makes it so difficult for young Americans to comprehend the real meaning of Communism. As Mr. Hoover pointed out, the only answer is to arm the youth of this nation with "the scalpel of truth" - and this can only be accomplished through education.

In supporting education on the truth about Communism, we must emphasize that lawyers oppose Communism for affirmative rather than negative reasons. We oppose all Communism - not because of ill will toward any people or country - but because we are for the values of democracy and its system of freedom under law. These are the values with which Marxism-Leninism cannot coexist, and which the Communists in every country must seek to destroy.
The deepest convictions of lawyers are affirmative - for representative government and for the great liberties in the Bill of Rights - free speech, free press, freedom of religion, free ballot and fair trial. The overriding priority of our time is the preservation of the very liberties which - despite all talk of mellowing behind the Iron Curtain - do not and cannot exist under Communism in any country.
ETHICAL STANDARDS OF THE BAR

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The new Committee is charged with studying and reporting upon the adequacy and effectiveness of the present Canons of Professional Ethics, including their observance and enforcement. It is authorized to make such recommendations for changes as may be deemed appropriate to encourage and maintain the highest level of ethical standards by our profession.

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In the half century since 1908, there have been striking changes in the role of government, in federal and state relationships, and in social, business and economic conditions. These and other changes have caused major evolutions in the practice of law and in responsibilities of lawyers.

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They also require re-examination in view of the increasing recognition of the public responsibilities of our profession.

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Closely related to the content of the Canons is their enforcement. There is growing dissatisfaction among lawyers with the adequacy of the discipline maintained by our profession.

The Missouri survey concluded that "a majority of lawyers are convinced that the public image of the profession is affected adversely by the policing procedure of the Canons of Ethics and that policing (by the Bar) is not adequately enforced." * This survey also indicated that

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Surveys of this kind do not purport to be scientific, and one may doubt whether persistent or deliberate violations approach the percentage which have been mentioned. But few lawyers in the active practice doubt that there are significant violations or that grievance procedure is far less effective than it should be.

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The new ABA Committee to re-examine the Canons of Ethics will not deal directly with disciplinary procedure. But there is an obvious relationship between the content of the Canons and their observance and enforcement. The Committee will therefore carefully evaluate the extent to which departures from high ethical standards, and lapses in strict enforcement thereof, are related to the content of the Canons.

Appropriate revisions of or additions to the Canons - where found to be necessary - could contribute significantly to more effective grievance procedure as well as to increasing the level of voluntary compliance.
Although the form and content of the Canons are of the utmost importance, it must be remembered that the Canons are not an end in themselves. Quite obviously, their purpose is to encourage and help maintain a level of ethical conduct appropriate for a learned profession. In view of the nature and responsibilities of the legal profession, it is not too much to say that its ethical and moral standards must be higher than those of any other calling or profession - with the exception (in a vastly different content) of the ministry. As Ross L. Malone (former President of the American Bar Association) has said:

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