A BIT OF HISTORY...HOW WE KEPT THE STOCKHOLDER RECORDS – AND PAID THE DIVIDENDS – BEFORE COMPUTERS

Most of you have probably seen some of those old-time shareholder "registers" where the shareholder names, addresses and share-amounts were written out in beautiful Palmer-method penmanship, using steel pens and ineradicable black ink. And some of you may know that those old-time registers are still being used today, for small, closely held companies – where a numbered ledger page that corresponds to a numbered stock certificate – very much like a checkbook register with detachable checks – is all that's really needed to keep the shareholder records in order.

But by the late 1950's, around the time your editor found himself working in the Shareholder Records Department of a then major U.S. bank, the number of individual stockholders and bond holders in America's best known companies had grown exponentially - fueled by post-war prosperity and fervent beliefs about the "American dream", underpinned by our eagerness to achieve it - to the point that handwritten ledgers and hand-written dividend checks would never allow mere humans to keep up.

By the late 1950s, AT&T (then as now one of the most widely held stocks in America) found itself with roughly two million registered holders. And there were numerous other well-regarded companies (to cite a few from the old "Manny Hanny" client roster, companies like American Home Products, now Weyth - American Motors, now defunct - Chrysler Corp., now alive again as a public company - General Foods and Kraft Foods - once two companies, that merged, then merged again into Philip Morris before being lately spun-off in a new incarnation – all of whom had seen their individual, registered shareholder population grow to 50,000 or 100,000 shareholders or more. And to top it all off, daily trading volumes in such stocks were beating previous levels every single day.

So how *did* we keep up those fast-growing, fast-changing shareholder records? Mostly by using "tear-aparts". Ever hear of them? Here's how it went: In those days, transfer sheets were manufactured so you could make at least three, and sometimes as many as five "carbon copies". The first page was for the transfer agent's permanent records, the second page went to the issuer for its permanent records and two other carbon copies were designed so they could be torn-apart and alphabetized, in order to update the overall shareholder records. Accordingly, the "typewriter" that was used to produce the transfer sheets (and also to produce the new stock certificates at the same time, as the 'credits' were typed in) was essentially a giant "printing press", where the strength of Hercules was required to pound away on its keys.

Once the day's journals were complete, the debits (in red ink) and the credits (in black ink) would be torn apart along the perforations on carbon-copy number three. Then, the debit and credit tear-aparts (each of them about one inch by six inches) would be alphabetized separately, then run up on an adding machine, to be sure the debits and credits were equal, and that no tear-aparts had fallen on the floor or been thrown away – and that they also 'proved' to the number of shares transferred that day. Normally we'd run them up with subtotals for each letter of the alphabet, or in groups like A-E, F-K, L-R, S-Z for reasons you'll see in a second. Then they'd be merged together, since on any given day most of the bigger banks and brokers would have both debits and credits to their accounts.

In 1959, "Manny" kept the historical shareholder records in and on "jackets", which were 3"x6" cardboard folders, printed with lines on both sides, on which each debit and credit would be written in with a pen (based on the info on each tear-apart), and where a running balance could be calculated (mostly in the bookkeeper's head) and entered as one went. So first, the bookkeeper would have to retrieve the right jackets from the main file, 'post' the entries with their trusty pens, and then, the original tear-aparts would be inserted in the 'jacket' and filed away again in their proper place. A big broker like Merrill Lynch might have dozens upon dozens of such 'jackets', crammed into the smallish file drawers in which they were kept.

How did the bookkeeper know that all the ending balances they'd written in were correct? You'd re-run the ending balance on each jacket, using the same groupings you'd used before – when you would have run up the ending balances before you began 'posting'. Then you'd check to be sure that the net-difference between the debits and credits for each alphabetical sub-set (both groups of which you'd also totaled-up and netted earlier) would give you the result you obtained after doing the posting. If it was the same, your bookkeeping was likely correct. Naturally, your grand total – the total ending balances of all the accounts you worked on that day - had to be the same as the grand total you started with – since the debits always had to equal the credits, unless there was an 'original issuance", or a 'retirement' which, of course, you'd take into account. Many times, however, even though the net-differences of all the subtotals and the grand totals proved up, mistakes would go undetected because of offsetting 'counter-errors' – which you wouldn't know about until a stockholder claimed he'd been shortchanged on the dividend…but that's another story,

So how then, you might well ask, did we create the dividend checks? Here's where the second set of tear-aparts came in: They too would be alphabetized, then run up on an adding machine; first the debits, then the credits, with subtotals

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taken for each alphabetical sub-set, then merged together. Then the 'net difference' for each account would be calculated (also mainly in the bookkeeper's head) with the amount being hand-written on a red tear-apart if the balance went down, or a black one if the balance was to go up. Then, we'd go to update the "stencils".

"The stencils" were an invention of the "Adressograph Company" and an amazingly clever way to bring 'mass production techniques' to this still incredibly labor-intensive business. The 'stencil' was a metal frame, designed to move along 'tracks' of various other imprinting and tabulating devices. Each frame had three sections. The bottom part held a piece of metal – about 3 ½" wide and an inch or so high – that was just like a military dog-tag. You would insert a blank piece of metal into an addressograph typewriter, then type in the shareholder's registration and address. Then you'd insert it in the frame, with the embossed side up, to create a mini printing-press that would let you address envelopes, checks, or whatever. The middle section was designed to hold a "slug" – a slimmer piece of metal that would have the number of shares embossed on it, but also 'encoded' into it in a way that other Addressograph machines could read, so as to add up the totals. But much more importantly, a bigger machine could read the holes, multiply each encoded amount by the dividend rate, calculate the amount for each account and print it too, on the dividend or interest checks. (The idea of punching holes within a grid – to represent numbers from 0 (no hole) to 9 – so they could be 'sensed' by mechanical feelers that would spin more mechanical 'wheels', and thus to 'calculate' had been invented many years before, by the way, by a very illustrious fellow, Blaise Pascal…the original inventor of the 'computer'). In the uppermost section of the frame you'd insert a strip of paper that had the first two lines of the name and address printed on it (you, of course, would have to 'manufacture' these too) - so you could read the stencil easily and, ideally, file it in its proper, alphabetical place in long metal trays that held all the stencils for a given company.

So the *second* "stock bookkeeping department" – the Addressograph Dept. – was like a mini-factory…where some of us would noisily bang out new dog-tags for new accounts, or change addresses, by mechanically 'banging-over' the old address – while others would concentrate on 'posting' the new balances by inserting new 'slugs' (which could be pulled from racks, or created and punched-out with less common amounts as needed).

Once you'd done your 'posting', you would 'prove-up' your work – by loading your trays of stencils into a machine that would noisily feed them through and add up the totals for each batch, so you could see if it matched what you'd get after the predetermined net-difference was applied against the totals you started with for that batch. It was an incredibly noisy and 'inky' place to work, for a "bookkeeping department"…and you were in for lots of bending and stooping - to extract the needed stencils from the main files, which ran from floor to near-ceiling – and some fairly heavy lifting too, in that each tray of stencils weighed 8 pounds or more.

And just as Addressographing was reaching its zenith - in the big bull market of the mid-to-late '60s - its nifty but noisy technology was being supplanted by the IBM punch card…and the IBM computer…which ran under the same general principles…but infinitely faster, quieter, cleaner and lighter in weight - and which arrived just in the nick of time (or maybe not) just as stock-market volumes began to run quite literally out-of-control. The good part was that the new technology was better in every way. The bad part was that many transfer agents tried to switch over at the worst of all possible times, and many of them got their records totally bollixed up. More about "the paperwork crisis" of the late 1960s in another issue…