

A Funeral and a Wedding

Presented by George William Engler

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A week ago I found myself in Louisville attending a funeral and a wedding all at the same time. The funeral was the end of the over 160 year existence for an icon of Louisville. J.J.B. Hilliard-W.L.Lyons LLC came to an end. The marriage was the joining of Hilliard-Lyons and R.W.Baird from Milwaukee, Wisconsin.

The year 1854 was credited with the beginning of Hilliard Lyons. A new brokerage emerged in Louisville. The "pearl of the Ohio River", known as Quigley & Lyons. They merged in 1865 with another Louisville firm named Hunt and Morgan.

The Hunt families were successful merchants, bankers, and real estate owners from Lexington, Kentucky. The heir to the Hunt fortune was Abraham Dagworthy or A.D. to his friends. He came to Louisville in 1850 and formed A.D. Hunt & Co. A few years later he and Henry Clay Morgan formed Hunt & Morgan. Mr. Quigley joined in 1865 to form Hunt, Morgan, & Quigley.

In 1872, a junior partner by the name of John James Byron Hilliard joined A.D. Hunt. J.J.B. Hilliard was born in Halifax County, North Carolina, August 22, 1831. Graduated from Harvard Law in 1852 and served the Union Army as a major. George Keats Speed joined Hilliard & Hunt in 1872 to form A.D. Hunt and company. They drew up a contract to form the company; A.D. Hunt invested \$25,000, J.J.B. Hillard invested \$12,500 and Speed invested \$12,500. Profits and losses were to be invested and divided amongst the partners one-third each.

It soon became apparent that the company was a “family affair”. Brothers, in-laws, cousins, sisters, and son were all involved in the daily operation of the company.

A.D. Hunt & Company was dissolved following Hunt’s death on May 24, 1885. J.J.B. Hilliard continued as the business successor. George K. Speed continued as a silent partner and on February 12, 1887, he died in Shelbyville, Kentucky. Hilliard then became the sole owner of J.J.B. Hilliard and began operating the business on his own. In 1887, J.J.B. Hilliard asked his son John James Byron Jr., known as Byron to be his junior partner. Thus J.J.B. Hilliard and Son was born.

When William Lee Lyons and James Hefferman established W.L. Lyons in 1881, their initial focus was the brokerage on commodities-“provisions and grain”. Lyons had been a clerk for L & N Railroad since graduating from the Highland Military in Worcester, Massachusetts . W.L. Lyons and Co. lost Hefferman to other interests in 1884.

Harry Lyons, William’s younger brother, joined the firm in 1885. Harry took over management in 1901. The Lyons brothers joined Frederick Thomas Goldsmith and Theodore Wolf, both of New York city, to form Goldsmith, Wolf, and Lyons in 1904. Goldsmith and Wolf died the next year and the Lyons brothers were on their own.

W.L.Lyons proceeded to buy a seat on the New York stock exchange for his 23 year old son, Samuel Clay Lyons. Lyons paid \$84,000 for the seat, the highest price ever paid for a seat on the exchange. The 23 year old Clay was the youngest member of the New York Exchange.

William Lee Lyons Sr. died at the Penmoyer Sanitarium at Kemosha, Wisconsin on June 2, 1911, a day short of his 54th birthday.

Harry Lyons died suddenly on December 23, 1918; his nephew, Samuel Clay Lyons took over management of the firm. In 1913 a branch was opened in Lexington followed by a new branch in Danville in 1921. These were the first branches opened in Kentucky by any brokerage firm.

In the spring of 1928, Charles Merrill began to warn clients that stock prices were too high and that a crash was on the horizon, "take advantage of the present high prices and put your own financial house in order." Daily trading went on an unprecedented buying spree—trading through 1928 reached astronomical 6,954,000 shares on November 23. Ed H. Hilliard warned in a memo, our clients are entitled to your opinion—right or wrong. The present market requires caution! "Black Tuesday" was horrible! People began losing so much money—gloom and doom! The Dow dropped one-fourth value in two days. Brokers called their clients to cover margin accounts. This cycle to cover ultimately meant portfolio's had to be liquidated. Not until 1932, the Dow reached its low of forty-one. Bank mergers were occurring to remain solvent and to avoid closing.

Edward Hilliard, past President of Louisville Board of Trade met to reorganize National Bank of Kentucky—the largest bank in Kentucky.

The public lost confidence in local banks. The brunt of losses were felt by stockholders and left lasting scars on the community.

Edward Hilliard contemplated the length and breadth of the gathering depression. He took steps to save money for the company. He thought office expenses should be tightly monitored—used a stop watch to monitor “long distance” phone calls and pencils were to be used to the “stub”, as well as no vacations. Within this scenario, he encouraged enthusiasm and care, difficult to do, but must be done. The Great Depression left its mark; 108 firms no longer traded on the New York Stock Exchange. Brokers were reduced by three-fourths and experienced commissioned brokers earned \$35 a week.

In February 1939, ten years after the beginning of the crash, W.L. Lyons and & Co. merged with Henning Chambers & Co. These two firms in an attempt to survive the crash, merged in Louisville, Kentucky.

On June 1, 1942, W.L. Lyons & Co. transferred to Merrill Lynch, Pierce, Fenner, and Beane its' cash, margin and commodity business. Management split the existing personnel into two separate companies. W.L. Lyons & Co. continued business as a securities underwriter and dealer. This arrangement caused confusion not only among employees but among the clients. Clients did not understand which company would provide services. The company would survive as an independent entity for another 23 successful years.

In 1937 an initial I.B.M. system was installed at J.J.B. Hilliard and Son. Henning Hilliard recalled, “one of the reasons they

put it in was because he wanted to know whether they were solvent at the end of the day, rather than wait two to three days until bookkeepers caught up with things.” This technology revolutionized trading for up to the minute reporting. Hilliard was able to cope with the deluge of calls, quotes, and trades which later caused many other brokerage houses to fail. J.J.B. Hilliard & Son were technologically surpassing other firms.

In the not too distant future, firms including: Goodbody, F.I. DuPont, Kuhn Lobe, and Lobe Rhodes were closed forever due to their inability to process transactions.

World War II affected the entire brokerage industry, as men and women were off to war. The economy was growing. Years later as they returned they were looking for challenging “white collar” jobs.

The period after World War II, was a time of new beginnings and excitement for the market. In May 1962, the second largest trading of 9,212,800 shares traded. The volume was sharpest since “Black Tuesday 1929”. Many brokerage firms failed due to their reluctance to innovate. Computer systems enabled trades to jump from two to three million shares per day to ten million . Henning Hilliard’s innovators moved the firm forward.

In 1960 a telegraph system linking the telegraph to Cal M. Loeb, Rhodes & Co. New York to 110 cities was installed enhancing the transaction processing speed.

In 1958, Hilliard became a presence in southern Kentucky.

In 1965 trading skyrocketed. Gil Pamplin proclaimed, "The year 1966 was explosive." Computers could handle a large volume of business. Brokers and analysts were at a loss to explain the markets sudden intensity. Thirteen million shares traded on October 24 and sixteen million shares traded on October 29. Computers were major assets to the companies executing transactions. Employees were working 16-18 hours per day. Hilliards was hiring more brokers, analysts, receptionists, and others for the office. Employees complained about the cramped conditions. This was also a milestone as J.J.B. Hilliard and W.L. Lyons merged.

W.L. Lyons Jr. was ill and knew something had to be done to continue the firm's operation. W.L. Lyons biggest competitor was J.J.B. Hilliard and Sons. Secret meetings were held between Hilliard and Lyons management. Lyons had six Kentucky offices, 14 brokers, and 150 employees; Hilliard was twice as big. Henning Hilliard stated, "everything was two for one." On December 1, 1965, the two largest Kentucky firms merged.

William P. Munday, the son of a Methodist minister had been hired by J.J.B. Hilliard & Son following his graduation from Vanderbilt University and service in the Navy. His desk was across from Henning Hilliard and his sales territory included Hopkinsville. He moved to Hopkinsville in 1958 to establish the fourth branch.

Sue Cumbee was a high school graduate, 20 years old, when she was hired as a secretary by Bill Munday. In 1968 she was the third woman to be registered in the state of Kentucky.

was also the top producer for the firm in 1985 and 1987. Before these achievements, one of her early duties in the office was to mark the quote board twice a day. There were no ticker tape and no quote machines in the beginning. This event was much celebrated twice a day as Mrs. Cumbee climbed the ladder in her mini-skirt to change the quotes.

In 1972, Henning Hilliard decided to change the structure of Hilliard and Lyons. It was a partnership with few partners. Henning decided to include the stockholders and increased ownership in the firm. The firm moved to incorporate and welcomed in many new stockholders who were also all employees. This was a welcomed change in the structure, fostering company loyalty. It was no longer just a family affair.

Within the company life interesting events often occurred. Unsuspecting people can change our perspectives. One day a man in overalls was sitting in a store-front window reading the Wall Street Journal. A broker noticed him and began a conversation. The man was fascinated with the market. Unbeknownst to the broker, this humble man would later become one of the company's wealthiest clients. Lesson learned, "don't judge a book by the cover."

In the summer of 1997, it was the new wave of banks buying brokerage firms. The banks thought it was good business to own their own brokers. Oppenheimer & Co., Dillon, Reed, & Co. and Wheat First, and Butcher Singer all became parts of the banking industry.

Hilliard & Lyons declared independent status. Hilliards had a rule that stockholders had to reduce their holdings when they

reached 65 years of age. Hilliards had a large percentage of 60-plus stockholders. A proxy battle ensued between the 60-plus and the under 60 groups. The senior group won and a suiter was sought. There were many suitors from all sizes in the banking industry but P.N.C. bank out of Pittsburgh was the eventual purchaser. Two and one half times book value was the going rate while new stockholders at Hilliards paid book value. A quick 250% profit was attractive to the Hilliard stockholders. On August 24, 1998, the Courier-Journal headlines read, "PNC Bank buys Hilliard Lyons."

P.N.C. allowed Hilliard to operate autonomously for almost ten years. Hilliard was a very small part of the P.N.C. bottom line.

In mid 2007, it was decided banks no longer wanted to be in the brokerage industry. Profits were unpredictable and earnings were rocky at best. A possible recession was predicted for the near future and banks were rapidly ridding themselves of brokerage assets. PNC decided it was time to drop the Hilliard assets.

Pete Mahurin, a broker from the Bowling Green office was on the board of directors for Houchen Industries. He, among others, decided Hilliard & Lyons would be a good fit for the Houchens customer owned retirement plan. Houchens had a little extra money from an asset they recently sold and agreed with Pete. Houchens bought Hilliard & Lyons from PNC Bank , November 19, 2007. After 12 tumultuous years of ownership, Houchens and Hilliards decided on an amicable divorce.

A Milwaukee, Wisconsin brokerage firm R.W. Baird had been interested in acquiring Hilliard Lyons for twenty years. Contacted by Hilliard management. "they wanted to talk." In early November 2018, Hilliard employees were informed by CEO Jim Allen, that Hilliard had been purchased by R.W.Baird. Last week was a funeral of sorts for a 165 year old brokerage firm J.J.B.Hilliard & W.L. Lyons. We are planning the wedding with R.W.Baird. This is a time of trepidation and anticipation.