

## FEDERAL RESERVE SYSTEM

McIlroy Bank & Trust  
Fayetteville, Arkansas

### Order Approving the Merger of Banks

McIlroy Bank & Trust (“McIlroy”), a state member bank, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with Central Bank and Trust, Little Rock (“Central”); The Farmers & Merchant Bank, Prairie Grove (“F&M”); and Springdale Bank & Trust, Springdale (“Springdale”), all in Arkansas.<sup>1</sup> McIlroy also has sought approval under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the locations of the main offices and branches of Central, F&M, and Springdale.<sup>2</sup>

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board’s Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the acquisitions were requested from the United States Attorney General and the other federal banking agencies. The time for filing comments has expired, and the Board has considered the applications and all facts of record in light of the factors set forth in the Bank Merger Act.

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<sup>1</sup> McIlroy, Central, Springdale, and F&M are wholly owned subsidiaries of Arvest Bank Group, Inc., Bentonville, Arkansas. On completion of the mergers, McIlroy would change its name to Arvest Bank.

<sup>2</sup> The branches to be acquired by McIlroy are listed in the Appendix.

### Competitive Considerations

The Bank Merger Act prohibits the Board from approving an application if the proposal would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking.<sup>3</sup> The Bank Merger Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any relevant market, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effects of the transaction in meeting the convenience and needs of the community to be served.<sup>4</sup> McIlroy's proposal involves consolidation of four banks that are affiliates in the same banking organization and, therefore, would not lessen competition in any relevant market. The Board has received no objections to the proposal from the Department of Justice or from the other federal banking agencies. Based on the record, the Board concludes that consummation of the proposed transaction would not be likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any banking market, and that competitive factors are consistent with approval.

### Convenience and Needs Considerations

The Bank Merger Act requires the Board to consider the convenience and needs of the communities to be served. The Board has long held that consideration of the convenience and needs factor includes a review of the records of performance of the relevant depository institutions under the Community Reinvestment Act of 1977 (the "CRA").<sup>5</sup> The Board notes that Central, F&M, McIlroy, and Springdale received "satisfactory" ratings at their most recent examinations for CRA performance. Based on all the facts of record, the Board

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<sup>3</sup> 12 U.S.C. § 1828(c)(5)(A).

<sup>4</sup> 12 U.S.C. § 1828(c)(5)(B).

<sup>5</sup> 12 U.S.C. §§ 2901-2908.

concludes that the convenience and needs considerations are consistent with approval of the proposal.

#### Financial, Managerial, and Other Supervisory Considerations

The Board also has considered the financial and managerial resources and future prospects of the institutions involved in this proposal. The Board has reviewed these factors in light of all the facts of record, including supervisory reports and reports of examination assessing the managerial resources and financial condition of the banks involved in the transaction. The Board notes that McIlroy, without admitting to any of the allegations against it, consented to a civil money penalty of \$10,500 in connection with alleged violations of the National Flood Insurance Act of 1968, 42 U.S.C. §§ 4001-4129 (“1968 Act”).

In reviewing the applications, the Board has considered the steps that McIlroy has taken to address the matters giving rise to the alleged violations and to monitor compliance with the 1968 Act. On the basis of all the facts of record, including the foregoing, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the institutions involved are consistent with approval.

#### Conclusion

McIlroy has also applied under section 9 of the Federal Reserve Act to establish branches at the current main offices and branches of Central, F&M, and Springdale. The Board has considered the factors it is required to consider, and for the reasons discussed in this order, finds those factors to be consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance by McIlroy with all the commitments made in connection with these applications. For purposes of this action, the commitments and conditions relied on in reaching this decision are conditions

imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The transactions may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>6</sup> effective October 31, 2001.

(signed)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>6</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Meyer. Absent and not voting: Governor Gramlich.

**Appendix**  
**Branches to Be Acquired by McIlroy Bank & Trust in Arkansas**

1. Branches to Be Acquired from Central Bank & Trust

3217 North Reynolds Road, Bryant<sup>7</sup>  
10221 North Rodney Parham, Little Rock  
1320 Rebsamen Park Road, Little Rock  
1501 South Main, Little Rock  
1123 South University, Suite 100, Little Rock  
801 Technology Drive, Little Rock  
3711 McCain Boulevard, North Little Rock

2. Branches to Be Acquired from The Farmers & Merchant Bank

110 East Main, Farmington  
317 East Pridemore Drive, Lincoln<sup>8</sup>  
102 East Buchanan, Prairie Grove  
164 North Centennial, West Fork

3. Branches to Be Acquired from Springdale Bank & Trust

Highway 412 West, Hindsville  
104 South Hughes, Huntsville  
1301 East Robinson, Springdale  
2004 South Pleasant Street, Springdale  
2012 South Pleasant Street, Springdale  
415 West Emma Avenue, Springdale  
3950 West Sunset Avenue, Springdale

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<sup>7</sup> This branch is operating from a temporary facility at 3018 Horizon Drive, also in Bryant. It will be relocated after construction on the North Reynolds Road branch is completed.

<sup>8</sup> This branch has received regulatory approval, but has not commenced operations.