

FEDERAL RESERVE SYSTEM

Herky Hawk Financial Corporation
Monticello, Iowa

Order Approving the Merger of Bank Holding
Companies and the Acquisition of Banks

Herky Hawk Financial Corporation (“Herky Hawk”), a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act (12 U.S.C. § 1842) (1) to acquire all the voting shares of New Vienna Savings Bank, New Vienna, Iowa (“Vienna Bank”); (2) to acquire all the voting shares of Casey State Bank, Casey, Illinois (“Casey Bank”); and (3) to merge with Biggsville Financial Corporation (“Biggsville”), and thereby acquire all the voting shares of First State Bank of Biggsville (“Biggsville Bank”), both in Biggsville, Illinois (together, “Banks”).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 Federal Register 50,656 (2001)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Herky Hawk is the 132nd largest commercial banking organization in Iowa and operates one subsidiary bank, Citizens State Bank, Monticello, Iowa (“Citizens Bank”), which controls \$73.5 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state (“state deposits”).¹ Vienna Bank is the 324th largest depository institution in Iowa, controlling \$19.9 million in deposits, representing less than 1 percent of state deposits. Casey Bank is the 388th largest depository institution in Illinois, controlling \$66.3 million in deposits, representing less than 1 percent of state deposits. Biggsville is the 679th largest commercial banking organization in Illinois, controlling \$14.3 million in deposits, representing less than 1 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions

¹ State deposit and ranking data are as of June 30, 2001. In this context, depository institutions include commercial banks, savings associations, and savings banks.

are met.² For purposes of the BHC Act, the home state of Herky Hawk is Iowa, and Herky Hawk proposes to acquire depository institutions in Illinois, in addition to Iowa. Based on a review of all the facts of record, including a review of relevant state statutes, the Board finds that all the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.³ In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Factors under the Bank Holding Company Act

Herky Hawk and Banks have common management officials and have a long history of affiliation through shareholders that are members of the same

² A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest on the later of July 1, 1966, or the date on which the company became a bank holding company. 12 U.S.C. § 1841(o)(4)(C).

³ See 12 U.S.C. §§ 1842(d)(1)(A) and (B), 1842(d)(2)(A) and (B). Herky Hawk is adequately capitalized and adequately managed, as defined by applicable law. In addition, on consummation of the proposal, Herky Hawk would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total deposits of insured depository institutions in Illinois. Illinois law prohibits the interstate acquisition of an Illinois bank that has existed for 5 years or less. This transaction would meet the minimum age requirements imposed by Illinois law. See 205 ILL. COMP. STAT. 5/21.2 and 5/21.3.

family. Banks do not compete directly in any banking market. Based on all the facts of record, the Board concludes that consummation of the proposal is not likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive factors are consistent with approval.

The Board also has considered the financial and managerial resources and future prospects of Herky Hawk, its subsidiary bank, and Banks in light of all the facts of record, including reports of examination and other supervisory information assessing the financial and managerial resources of the organization, and information provided by Herky Hawk. Based on all the facts of record, the Board has concluded that the financial and managerial resources and the future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.⁴

⁴ The BHC Act requires that the Board also consider certain factors related to any principal shareholder of a bank holding company. 12 USC 1842(c)(5). The largest shareholder of Banks currently is subject to a consent order that prohibits him from participating in the affairs of, or voting the shares of, an insured depository institution or bank holding company. The shareholder has committed to transfer the shares of Herky Hawk that he will receive in exchange for his shares of Banks to an irrevocable trust with an independent trustee approved by the Board

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effect of the proposal on the convenience and needs of the community to be served and to take into account the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).⁵ The Board has carefully considered the convenience and needs factor and the CRA performance records of Citizens Bank and Banks under the CRA in light of all the facts of record. All depository institutions involved in this proposal received satisfactory CRA ratings at their most recent CRA performance evaluations by the Federal Deposit Insurance Corporation.⁶ Based on all the facts of record, the Board concludes that considerations relating to convenience and needs, including the

immediately on consummation of this proposal. The OCC has no objection to this proposal. The FDIC has approved the shareholder’s request to exchange his shares of Banks for shares of Herky Hawk if the shares are transferred to the trust.

⁵ 12 U.S.C. § 2901 *et seq.*

⁶ The Interagency Questions and Answers Regarding Community Reinvestment provides that an institution’s most recent CRA performance evaluation is an important consideration in the application process because it represents a detailed on-site evaluation of the institution’s overall record of performance under the CRA by its appropriate federal supervisor. 66 Federal Register 36,620 and 36,639 (2001). Citizens Bank received a “satisfactory” rating, as of August 9, 1999; Vienna Bank received a “satisfactory” rating, as of June 19, 1998; Casey State

CRA performance records of the banks involved in the proposal, are consistent with approval.

Conclusion

Based on 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 the compliance by Herky Hawk with all the commitments made in connection with the application, including the commitment of the shareholder to transfer his shares to the irrevocable trust immediately on consummation of this proposal. For purposes of this action, the commitments relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, and not later than three months after the effective date of this order, unless such period is extended for good cause

Bank received a "satisfactory" rating, as of September 11, 1998; and Biggsville Bank received a "satisfactory" rating, as of May 11, 1998.

by the Board or the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors,⁷ effective September 25, 2002.

(signed)

Jennifer J. Johnson
Secretary of the Board

⁷ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.