

The attached minutes of the meeting of the Board of Governors of the Federal Reserve System on January 24, 1963, which you have previously initialed, have been revised to reflect certain changes requested by Governor Shepardson in the three paragraphs beginning at the top of page 6.

If you approve these minutes as revised, please initial below.

Governor Shepardson

CS

Governor Robertson

R

Governor Balderston

CCB

609  
9/61

Minutes for January 24, 1963

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Thursday, January 24, 1963. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson  
Mr. Mitchell

Mr. Sherman, Secretary  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Johnson, Director, Division of Personnel Administration  
Mr. Sprecher, Assistant Director, Division of Personnel Administration  
Mr. Spencer, General Assistant, Office of the Secretary  
Mr. Brennan, Personnel Assistant, Division of Personnel Administration

Professor Dan M. McGill of the Wharton School of Finance, University of Pennsylvania, was also present at this time pursuant to the understanding at the Board meetings on January 10 and 11, 1963, to discuss the report submitted by him under date of December 5, 1962, entitled "Mortality and Interest Assumptions for the Retirement System of the Federal Reserve Banks."

At the invitation of Chairman Martin, Professor McGill commented upon the report and recommendations contained therein, following which there was a discussion extending until approximately 11:15 a.m. A memorandum regarding that discussion has been placed in the Board's files.

1/24/63

Professor McGill then withdrew, as did Messrs. Johnson, Sprecher, and Brennan, and the following entered the room:

- Miss Carmichael, Assistant Secretary
- Mr. Young, Adviser to the Board and Director, Division of International Finance
- Mr. Solomon, Director, Division of Examinations
- Mr. O'Connell, Assistant General Counsel
- Mr. Shay, Assistant General Counsel
- Mr. Goodman, Assistant Director, Division of Examinations
- Mr. Leavitt, Assistant Director, Division of Examinations
- Mr. Thompson, Assistant Director, Division of Examinations
- Mr. Bakke, Senior Attorney, Legal Division
- Miss Hart, Senior Attorney, Legal Division
- Mr. Potter, Senior Attorney, Legal Division
- Mr. Doyle, Attorney, Legal Division
- Mr. Poundstone, Review Examiner, Division of Examinations

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

|                                                                                                                                                                                                                         | <u>Item No.</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Letter to Bamerical International Financial Corporation, New York, New York, granting consent to the purchase of shares of Productos de Concreto, S. A., San Jose, Costa Rica.                                          | 1               |
| Letter to Manufacturers Hanover Trust Company, New York, New York, granting an extension of time to establish a branch at 41-01 Kissena Boulevard, Flushing.                                                            | 2               |
| Letter to the Federal Reserve Bank of New York noting without objection arrangements made for Daniel J. Taylor, of the Bank's Foreign Department, to spend a period of from three to four weeks at the Bank of England. | 3               |



1/24/63

-3-

|                                                                                                                                                                                    | <u>Item No.</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Letter to Wayne County Bank and Trust Company, Honesdale, Pennsylvania, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System. | 4               |
| Letter to The Hermann Bank, Hermann, Missouri, interposing no objection to the declaration of dividends in 1961 and 1962.                                                          | 5               |
| Letter to Southwest National Bank of Fort Worth, Fort Worth, Texas, granting permission to maintain reduced reserves.                                                              | 6               |
| Letter to the Federal Reserve Bank of San Francisco regarding classification as savings deposits under Regulation Q of deposits of an officers' "open" mess.                       | 7               |
| Letter to The County Trust Company, White Plains, New York, approving the establishment of a branch at 371-377 Mamaroneck Avenue.                                                  | 8               |
| Letter to Long Island Trust Company, Garden City, New York, approving the establishment of a branch in East Farmingdale, Suffolk County.                                           | 9               |

Report on competitive factors (Utica-Dolgeville, New York).

At the meeting on January 23, 1963, the Board considered a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank of Dolgeville, Dolgeville, New York, into The Oneida National Bank and Trust Company of Central New York, Utica, New York, and the staff was requested to obtain certain additional information. There had now been distributed a memorandum dated January 23 from the Division of Examinations, which presented additional information and suggested a revised conclusion to the proposed report.

1/24/63

-4-

Following discussion, the report was approved unanimously for transmittal to the Comptroller, with the conclusion reading as follows:

The proposed merger of The First National Bank of Dolgeville, Dolgeville, New York, into The Oneida National Bank and Trust Company of Central New York, Utica, New York, would eliminate the small amount of competition existing between these two institutions. Two banks in this two-county area now hold 77.8 per cent of area deposits and this would be increased to 79.5 per cent if this proposed merger is consummated. Dolgeville Bank's effectiveness as a competitor has been hampered by management problems.

Application of Valley Bancorporation (Items 10 and 11).

Pursuant to the decision at the meeting on December 19, 1962, distribution had been made under date of January 22, 1963, of drafts of an order and a statement reflecting the Board's approval of the application of Valley Bancorporation, Appleton, Wisconsin, to become a bank holding company through the acquisition of 80 per cent or more of the outstanding voting shares of Appleton State Bank, Appleton; Bank of Black Creek, Black Creek; and Northern State Bank, Appleton, all in the State of Wisconsin.

Following a discussion during which certain editorial changes were agreed upon, the issuance of the order and statement was authorized. Copies of the order and statement, as issued, are attached as Items 10 and 11.

Applications of First Wisconsin Bankshares Corporation and Marine Corporation. At the meeting on December 19, 1962, the Board considered applications by First Wisconsin Bankshares Corporation,

1/24/63

-5-

Milwaukee, Wisconsin, to acquire shares of Merchants & Savings Bank, Janesville, and American Bank and Trust Company, Racine, and the application of The Marine Corporation, Milwaukee, Wisconsin, to acquire shares of The Beloit State Bank, Beloit. In each case, the decision of the Board was one of denial. Pursuant to those actions, there had been distributed under date of January 22, 1963, copies of proposed orders and statements.

In discussion, Governor Mitchell indicated that he felt certain changes should be made in the proposed statements. In his opinion, if the applicants had been seeking to acquire banks that were less prominent in the communities involved, the applications might have been approvable. The statements, he suggested, should make it clear that denial of these applications did not necessarily mean that the holding companies were precluded from expanding if they avoided the dominant bank in a community. Governor Mitchell went on to describe other editorial changes that he believed should be made in the statements.

Governor Mills suggested that the draft statements should be regarded as reflecting the consensus of views expressed when the applications were considered. Unless parts of the statements did violence to principles expressed at that time, he felt that the draft statements should be approved. If the Board endeavored to refine each statement, it might be difficult to reach a point at which the statements could be published.

1/24/63

-6-

During further discussion of the draft statements, Governor Shepardson stated that he had gone along with the Board's decision on each application with some reluctance, particularly because of one point. In his opinion, too much emphasis had been placed on the point that there was little justification to the contention that a small banking institution should be allowed to grow with the industries in its community. He recognized that such banking institutions would not always be in a position to take care of all credit needs, especially in instances where local industries grew to be national or international in scope. On the other hand, he was concerned by the philosophy he thought was implied in the three statements; namely, that growing industrial concerns should be expected to go to financial centers like New York and Chicago and that local banks should not expect to meet their growing credit needs. As he saw it, such a philosophy would place a ceiling on the growth of the local banks and encourage the growth of established financial centers.

Governor Shepardson went on to say that he was bothered by the repeated claims of local banks seeking holding company affiliation that correspondent bank service did not fill their needs, as contrasted with the assertion by others that such service should be relied on to meet the expanding demands of their customers.

Governor Shepardson also referred to the argument that came up in connection with some merger cases in New York State with respect to de novo branching. He was inclined to think that a more disadvantageous competitive situation was created for small banks of a community if a



1/24/63

-7-

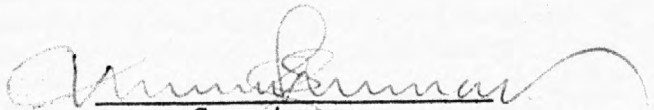
large bank, seeking to provide services beyond the capacity of small banks, sought entry through a de novo branch than if it took over one of the existing small banks.

In further comment, Governor Shepardson said that he had not come to the meeting this morning intending to suggest that the draft statements be changed. However, he did not concur with the philosophy seemingly implied in the statements regarding the aspect he had mentioned.

Following additional discussion, it was understood that the draft statements would be reviewed by the staff in the light of the comments made at this meeting, after which they would be considered again by the Board.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the request contained in a memorandum from Rita D. Brinley, Secretary, Division of International Finance, for permission to do typing during evenings for a local architectural firm.

  
Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 1  
1/24/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963

Bamerical International  
Financial Corporation,  
41 Broad Street,  
New York 15, New York.

Gentlemen:

Reference is made to your letter of November 2, 1962, transmitted through the Federal Reserve Bank of New York, requesting that the Board of Governors consent to the purchase by your Corporation from International Finance Corporation of 1,667 shares, par value Colones 100 each, of common stock of Productos de Concreto, S.A., San Jose, Costa Rica, at an approximate cost of US\$25,005. It is understood that through inadvertence the investment was made prior to the date of your letter.

In the circumstances and on the basis of the information furnished, the Board interposes no objection to the investment described in your letter of November 2, 1962, upon condition that your Corporation shall dispose of its holdings of stock in Productos de Concreto, as promptly as practicable, in the event that Productos de Concreto should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by your Corporation to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

244  
Item No. 2  
1/24/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963

Board of Directors,  
Manufacturers Hanover Trust Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to May 1, 1963, the time within which Manufacturers Hanover Trust Company, New York, New York, may establish a branch at 41-01 Kissena Boulevard, Flushing, Borough of Queens, New York, New York, under authority granted in the Board's letter dated August 4, 1961.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 3  
1/24/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963

Mr. William F. Treiber,  
First Vice President,  
Federal Reserve Bank  
of New York,  
New York 45, New York.

Dear Mr. Treiber:

The Board notes without objection the arrangements made by the Directors of your Bank for Mr. Daniel J. Taylor, Foreign Exchange Trader, Foreign Operations Division, Foreign Department, to spend a period of from three to four weeks at the Bank of England in London commencing on January 12, 1963, as reported in your letter of January 10.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 4  
1/24/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963

Board of Directors,  
Wayne County Bank and Trust Company,  
Honesdale, Pennsylvania.

Gentlemen:

The Federal Reserve Bank of Philadelphia has forwarded to the Board of Governors letters dated December 12 and 17, 1962, from Executive Vice President Knox. The December 12 letter contained a copy of a resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six-months notice of such withdrawal. It is understood that such withdrawal will be accomplished only if the Federal Deposit Insurance Corporation continues to insure your bank after withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six-months notice of withdrawal. Upon surrender to the Federal Reserve Bank of Philadelphia of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Philadelphia.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 5  
1/24/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963

Board of Directors,  
The Hermann Bank,  
Hermann, Missouri.

Gentlemen:

The Board of Governors has received from Mr. O. O. Wyrick, Vice President of the Federal Reserve Bank of St. Louis, a copy of a letter of Mr. B. A. Wagner, Cashier of The Hermann Bank, dated December 7, 1962, requesting approval of dividends of \$3,000 each declared in the years 1961 and 1962. The declaration of these dividends was in contravention of the provisions of paragraph 6, Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes.

The Board has given careful consideration to the facts and will make no objection to the declaration of these two dividends. This letter does not authorize any other declaration of dividends in 1963 or later.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 6  
1/24/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963



Board of Directors,  
Southwest National Bank of Fort Worth,  
Fort Worth, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Southwest National Bank of Fort Worth to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 7  
1/24/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963



Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Swan:

This refers to your letter of December 5, 1962, submitting a request for the Board's views as to whether the funds of an officers' mess may be deposited as a savings account in a member bank. It is stated that these funds consist of nonappropriated moneys, owned by an instrumentality of the military service of the United States, which may revert to the United States Government.

Section 217.1(e) of Regulation Q authorizes the acceptance of savings deposits from any organization operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes and not operated for profit.

It is not stated whether these funds are to be deposited by a "closed" or "open" mess. The Board understands that as to the former, only food is served to the men on a post and it would not seem that such an organization would qualify. It is further understood that an "open" mess, in addition to serving food, provides social, recreational, and other services similar to those provided by a club, and that, while in certain cases membership is not restricted to military personnel, some limitation is placed on those who may participate and hold membership privileges, and the mess is not open to the general public.

An officers' "open" mess, as described above, would appear to qualify as an organization operating primarily for fraternal or other similar purposes. The fact that it is an instrumentality of the Government and operates on nonappropriated funds which may revert to the United States, would not alter its eligibility as long as it is a separate entity that falls within the definition of an organization that operates primarily for one of the purposes indicated in the Regulation. For example, a school district, although an instrumentality of a State or local Government, has been regarded as a separate entity operated primarily for educational purposes and therefore eligible to maintain a savings deposit.

Mr. Eliot J. Swan

-2-

Accordingly, it is the Board's view that deposits of an officers' "open" mess, as here described, are eligible for classification as savings deposits under Regulation Q.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Board of Directors,  
The Navy Trust Company,  
Wash. D.C.

Enclosure

The Board of Directors of the Navy Trust Company, a corporation organized under the laws of the District of Columbia, and a member of the Federal Reserve System, has received from you a copy of the report of the Committee on the Mess Fund, and has thereupon resolved that the deposits therein are eligible for classification as savings deposits under Regulation Q.

(The Board of Directors of the Navy Trust Company, a corporation organized under the laws of the District of Columbia, and a member of the Federal Reserve System, has received from you a copy of the report of the Committee on the Mess Fund, and has thereupon resolved that the deposits therein are eligible for classification as savings deposits under Regulation Q.)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 8  
1/24/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963



Board of Directors,  
The County Trust Company,  
White Plains, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 371-377 Mamaroneck Avenue, White Plains, New York, by The County Trust Company, White Plains, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 9  
1/24/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 24, 1963

Board of Directors,  
Long Island Trust Company,  
Garden City, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch on the west side of Broad Hollow Road (Route 110), approximately 2,411 feet south of the southwest corner of Conklin Street, Unincorporated Area of East Farmingdale, Babylon Township, Suffolk County, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)



Item No. 10  
1/24/63

## UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----

In the Matter of the Application of  
VALLEY BANCORPORATION  
for permission to become a bank holding  
company through the acquisition of  
voting shares of three banks in the  
State of Wisconsin

-----

ORDER APPROVING APPLICATION UNDER  
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 222.4(a)(1) of the Board's Regulation Y (12 CFR 222.4(a)(1)), an application by Valley Bancorporation, Appleton, Wisconsin, for the Board's approval of action that would result in Applicant becoming a bank holding company through acquisition of 80 per cent or more of the voting shares of Appleton State Bank and Northern State Bank, both in Appleton, Wisconsin, and of Bank of Black Creek, Black Creek, Wisconsin.

As required by section 3(b) of the Act, the Board notified the Commissioner of Banks of the State of Wisconsin of the receipt of the application and requested his views. The Deputy Commissioner replied that he had no objection to Applicant's becoming a holding company through the acquisitions proposed.

-2-

Notice of receipt of the application was published in the Federal Register on June 16, 1962 (27 Federal Register 5752), affording opportunity for submission of comments and views regarding the proposed acquisitions. The time provided by the notice for filing comments and views has expired and the matter has been considered fully by the Board.

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is granted, provided that the acquisitions as approved shall not be consummated (a) within seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 24th day of January, 1963.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(Signed) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)

Item No. 11  
1/24/63BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMAPPLICATION BY VALLEY BANCORPORATION, APPLETON, WISCONSIN,  
FOR APPROVAL OF ACQUISITION OF SHARES OF THREE BANKS

## STATEMENT

Valley Bancorporation ("Applicant"), a Wisconsin corporation formed in 1962, with its principal place of business in Appleton, Wisconsin, has filed an application pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956, for the Board's approval of its becoming a bank holding company through the acquisition of 80 per cent or more of the outstanding voting shares of Appleton State Bank, Appleton ("State Bank"); Bank of Black Creek, Black Creek ("Black Creek Bank"); and Northern State Bank, Appleton ("Northern Bank"), all in the State of Wisconsin.

As applied to this application, section 3(c) of the Act requires the Board to take into consideration the following factors: (1) the financial history and condition of the Applicant and the banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and areas concerned; and (5) whether the effect of the proposed acquisition would be to create a bank holding company system of a size or extent beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

-2-

Banking factors. - Since Applicant was organized recently, it has no financial history. If it becomes a bank holding company, its principal earning assets will consist of its shares of its subsidiary banks. Accordingly, its financial condition and prospects will depend primarily upon, and closely parallel, those of its subsidiary banks.

State Bank and Black Creek Bank, each in operation for more than 50 years, have sound financial histories and their present condition and prospects appear satisfactory. Northern Bank was opened for business on January 7, 1963. On the basis of its paid-in capital and its location in the rapidly expanding industrial and residential section of north Appleton, the projection made as to deposit growth for Northern Bank appears reasonable and supports the conclusion that its prospects are satisfactory. On the basis of the foregoing, it is concluded that Applicant's condition and prospects also would be satisfactory.

The management of the respective banks is experienced and appears competent. Since Applicant's management will be composed of officers and directors of the respective subsidiary banks, it may be concluded that Applicant's management also will be competent and similarly satisfactory.

Convenience, needs, and welfare of the communities and areas concerned. - Geographically, the City of Appleton and environs may be considered the focal point in the Board's consideration of the convenience, needs, and welfare of the communities and areas concerned. State Bank's main office and Northern Bank are both located within the



-3-

corporate limits of the City. Appleton, situated on the Fox River in the east-central part of the State, just north of Lake Winnebago and about 30 miles southwest of Green Bay, is the county seat of Outagamie County. Its population is approximately 48,500. Within an eight-mile radius of Appleton's downtown business district, in both an easterly and southerly direction, there are six cities or villages which, together with Appleton, are known as the Fox Cities. Appleton's trade area is described as encompassing all of the Fox Cities as well as a considerable portion of the agricultural area within a sixty-mile radius. The Fox Cities area encompasses residential, industrial, and agricultural communities. The industrial communities contain some of the nation's leading paper products manufacturers, as well as other industries producing wood, metal, concrete, knitted, and dairy products. Outagamie County ranks fifth in total farm income among Wisconsin counties.

State Bank, with June 30, 1962<sup>1/</sup> total deposits of \$25.4 million, is the second largest of Appleton's three banks. In addition to its main office, State Bank operates three other offices in Outagamie County and one in adjoining Waupaca County. The four branches had aggregate deposits of \$5.6 million. The primary service area<sup>2/</sup> of State Bank's main office is the City of Appleton. Its branch offices, located in villages that are situated, respectively, about 13

<sup>1/</sup> Unless otherwise stated, all statistics are of this date.

<sup>2/</sup> The area from which about 75 per cent of the bank's demand and time deposits of individuals, partnerships, and corporations ("IPC") arises.



-4-

and 23 miles west, and 13 and 19 miles northwest of Appleton, derive a majority of their business from the villages in which they are located and from immediately surrounding agricultural areas.

Northern Bank's projected primary service area encompasses the northernmost one-third part of Appleton and the area within a three-mile radius of the City's north boundary. The estimated population of the area is 20,000. Northern Bank's primary service area is described as having very good residential and industrial growth potentials. Sixty per cent of new homes constructed in Appleton in 1960 were erected in this northern area. Northern Bank is the only bank located within its designated primary service area.

Black Creek Bank, with total deposits of \$1.8 million, is located in the Village of Black Creek, Outagamie County, about 16 miles north of State Bank's main office. Its primary service area comprises the Village and surrounding agricultural area within a three-mile radius. The area's population is estimated at 2,900. While there are no other banks located in the primary service area of Black Creek Bank, five other banking offices, including an office of State Bank, compete, in varying degrees of intensity, for the business originating in the northern part of Outagamie County served by Black Creek Bank.

In support of its application, Applicant has set forth numerous banking services that it proposes to inaugurate, supplement, or facilitate through ownership of the banks in question. Applicant's presentation of its proposals makes clear that the communities served by State Bank

-5-

have been and are presently afforded a full range of banking services, including the services of State Bank's trust department. This is true of the villages and rural areas served by its four offices - three in Outagamie County and one in Waupaca County. There is no evidence of an existing or reasonably foreseeable need on the part of State Bank's present or potential customers, particularly those in the downtown Appleton area, that is or cannot be served adequately by State Bank as presently owned and operated.

It is recognized that, in major respects, the banking needs of residents and businesses within Northern Bank's service area will be served, and perhaps wholly satisfied, whether or not Applicant's control of Northern Bank is realized. However, as a subsidiary of Applicant and affiliate of State Bank, Northern Bank would appear to be able to make available to its customers, present and prospective, a broader range of banking service more immediately than could be expected ordinarily of a newly opened bank. This fact, weighed in the light of the continuing rate of population increase, residential construction, and industrial development in the area served by Northern Bank, constitutes a benefit weighing in favor of approval of the application.

Moreover, it appears that in view of the continued residential expansion to and industrial location in Northern Bank's primary service area, many of State Bank's customers formerly located downtown will be more conveniently accommodated by access to the services and facilities

-6-

of Northern Bank which, through its affiliation with State Bank under Applicant's ownership, will presumably offer services of breadth and quality comparable to those State Bank now offers.

Black Creek Bank, located in and serving a predominantly agricultural district of Outagamie County, wherein no marked population growth is anticipated, cannot, in the Board's judgment, be said to have any real need for a majority of the expanded bank services which Applicant asserts would be made available through its ownership of the banks. There is some evidence of an increasing demand within the area served by bank for fiduciary services and advice. State Bank is the only bank in Outagamie County operating a trust department. While certain services such as trust services and other assistance may be made more readily available through the form of affiliation proposed, Applicant concedes that there will be no change in operation of the Black Creek Bank except in ownership of capital stock. Fifty-two per cent of that stock has been owned by State Bank since prior to 1948. Applicant asserts that State Bank's ability to make available to Black Creek Bank managerial and other technical assistance had been impeded by an awareness of the fact that the minority stockholders of Black Creek Bank (owning 48 per cent of the bank's stock) are equal beneficiaries of the efforts and expenditures by State Bank.

Assuming acquisition by Applicant of 80 per cent or more of the stock of each of the three banks, it is reasonable to conclude that a greater degree of exchange and availability among the affiliated banks of



-7-

experienced personnel and technical assistance will be realized than under the relationship presently existing among the banks. It follows that by thus facilitating access by the two smaller banks to the resources, technical skills, and managerial experience of State Bank, present and potential customers of the two banks will be the better served.

In sum, it is the Board's conclusion that benefits to the communities and areas involved are sufficiently probable following the acquisitions here proposed, as to constitute a consideration favorable to approval of the application.

Effect of proposed acquisition on adequate and sound banking, the public interest, and banking competition. - Previous statements by this Board reflect its concern over proposals that, if consummated, would result in holding company control of the largest banks in an area, or that would add to an already heavy concentration of large banks in a particular area or State controlled by one or another of several major banking groups. The fact of such resulting concentrations, among other reasons, has required the Board's denial of section 3 applications involving existing and proposed holding companies.

The present application does not threaten such a concentration as to warrant similar concern or opposition. Approval of Applicant's proposal would bring under its control three banks, with aggregate deposits of \$27.2 million, exclusive of deposits held by the recently opened



-8-

Northern Bank. Applicant would be the fifth largest bank holding company operating in the State, measured by deposits of subsidiary banks. These banks would control .8 per cent of the offices of all banks in the State and .6 per cent of their aggregate deposits. The three largest Wisconsin-based holding companies control, respectively, 18.3, 7, and 6.7 per cent of the aggregate deposits of all banks in the State. State Bank, with total deposits of \$25.4 million, ranks 30th in size of all Wisconsin banks. Thus measured, Applicant's proposed subsidiaries would not represent a concentration of control of banks or banking resources of such magnitude as to be inimical to banking competition and the public interest.

Turning to a consideration of the probable effects of the Applicant's formation upon banking and the banking public within the areas most immediately concerned, consummation of this proposal would result in Applicant's control of two of the four banking offices (including Northern Bank) in Appleton; the deposits held by State Bank's head office represented 25 per cent of the total deposits of the banking offices in Appleton. This percentage increases to 29.9 if the deposits of all of State Bank's offices are included. In Outagamie County, Applicant would control 6 of 17 offices (35.3 per cent), and those offices, excluding Northern Bank, held 23.2 per cent of the deposits held by all offices in the County. In the Fox Cities area, Applicant would have 2 of 12 banking offices (16.7 per cent) and State Bank's entire deposits represented 15.9 per cent of the \$160.4 million of deposits of banks therein.

-9-

Of the 26 commercial banking offices located in Outagamie County and in the three counties adjoining Outagamie County in which are located banks that compete with Applicant's proposed subsidiaries, Applicant would control seven of such offices (27 per cent) and \$27.2 million (14.4 per cent) of the \$188.7 million of aggregate deposits held by those offices, excluding Northern Bank.

Viewing the size of Applicant's proposed system as reflected in the comparisons relating to the particular areas above mentioned, it is the Board's judgment that approval of Applicant's proposal would not result in a concentration of control of banking resources within any of those areas that would be contrary to the public interest.

State Bank presently competes with the other two downtown Appleton Banks; and approximately 20 per cent of its IPC deposits originate in Northern Bank's primary service area. No other commercial banks are located within the respective primary service areas of State Bank's four branches. It does not appear that the acquisitions proposed would adversely affect State Bank's two downtown Appleton competitors. First National Bank is nearly twice the size of State Bank. The anticipated result from these acquisitions is that Northern Bank may be expected to offer First National Bank more vigorous competition for accounts of customers located in the north Appleton area. While the Outagamie County Bank is but two-fifths the size of State Bank, the competitive pattern established between these two banks should not be altered substantially, since Northern Bank's primary service area does not overlap to any significant extent the areas which the Outagamie County Bank is considered to serve.

As to competition between State Bank and Northern Bank, measured by the percentage of State Bank's IPC deposits originating in Northern Bank's primary service area, it would appear that competition between the banks could be substantial. However, in view of the fact that a majority of the directors and officers of Northern Bank are also directors and officers of State Bank, the existence of genuine competition between the two banks cannot be assumed. Similarly, State Bank's controlling ownership of Black Creek Bank renders improbable any genuinely vigorous effort on the part of either bank to compete for the small volume of deposits found to originate in the primary service area of each, but held by the other. Under the aforesaid circumstances, the question as to elimination of existing or potential competition between and among Applicant's proposed subsidiary banks is not of sufficient significance to constitute a consideration adverse to approval of Applicant's proposal.

Finally, the Board is satisfied that within the communities and areas herein discussed there will remain adequate alternative sources of banking services following consummation of Applicant's proposal to assure that in this respect, as in the other respects heretofore considered, the public interest will not be adversely affected.

Conclusion. - Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would be consistent with the statutory objectives and the public interest and that the application should be approved.

January 24, 1963.