

Minutes for December 21, 1964.

To: Members of the Board

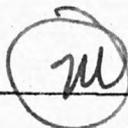
From: Office of the Secretary

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

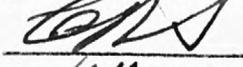
Gov. Robertson



Gov. Balderston



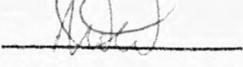
Gov. Shepardson



Gov. Mitchell



Gov. Daane



## Minutes of the Board of Governors of the Federal Reserve System

on Monday, December 21, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Mitchell  
Mr. Daane

Mr. Sherman, Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Brill, Director, Division of Research and  
Statistics  
Mr. Solomon, Director, Division of Examinations  
Mr. Holland, Associate Director, Division of  
Research and Statistics  
Mr. Koch, Associate Director, Division of Research  
and Statistics  
Mr. Partee, Adviser, Division of Research and  
Statistics  
Mr. Sammons, Adviser, Division of International  
Finance  
Mr. Reynolds, Associate Adviser, Division of  
International Finance  
Mr. Spencer, General Assistant, Office of the  
Secretary  
Mr. Axilrod, Chief, Government Finance Section,  
Division of Research and Statistics  
Mr. Eckert, Chief, Banking Section, Division of  
Research and Statistics  
Mr. Baker, Economist, Division of International  
Finance  
Mr. Furth, Consultant

Money market review. There had been distributed tables afford-  
ing perspective on the money market for the period January-December 16,  
1964, and perspective on bank reserve utilization for the period November  
1963-December 16, 1964.

Mr. Axilrod commented on the Government securities market; Mr.  
Holland reviewed recent monetary and banking data; and Mr. Baker dis-  
cussed foreign exchange market developments.

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Following discussion based on the foregoing presentation, Mr. Young commented on the meeting he had recently attended of Working Party 3 of the Economic Policy Committee of the Organization for Economic Cooperation and Development, which was held in Paris, France. Governor Daane then reported on the recent meeting of the deputies of the Group of Ten, which also was held in Paris.

All members of the staff who had been present except Messrs. Sherman, Solomon, Partee, and Spencer then withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Daniels, Assistant Director, Division of Bank Operations  
 Mr. Leavitt, Assistant Director, Division of Examinations  
 Mr. Egertson, Supervisory Review Examiner, Division of Examinations  
 Mr. Donovan, Review Examiner, Division of Examinations  
 Mr. Smith, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on December 17, 1964, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

Item No.

Letter to Fall River Trust Company, Fall River, Massachusetts, approving the establishment of a branch in Assonet.

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Item No.

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Letter to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of a branch at 560 Washington Street, Borough of Manhattan, for the limited purpose of conducting the operations of its currency and coin wrapping department.

Report on competitive factors (Ridgewood-Ramsey, New Jersey).

A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank and Trust Company of Ramsey, Ramsey, New Jersey, into Citizens First National Bank of Ridgewood, Ridgewood, New Jersey, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The proposed merger of Citizens First National Bank of Ridgewood and The First National Bank and Trust Company of Ramsey would eliminate existing competition and potential for keener competition between the two banks and increase the concentration of banking resources in the relevant area. The overall effect on competition would be adverse.

Mr. Egertson then withdrew from the meeting.

Applications of Valley Bancorporation (Items 3-6). Pursuant to the action taken at the Board meeting on December 8, 1964, there had been distributed drafts of two orders and a statement reflecting approval of the applications of Valley Bancorporation, Appleton, Wisconsin, to acquire 80 per cent or more of the voting shares of Sherwood State Bank, Sherwood, Wisconsin, and of Reedsville State Bank, Reedsville, Wisconsin. Also distributed pursuant to the action taken on December 8, was a draft of letter to be sent to the applicant emphasizing the need for improvement

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in the capital structure and general liquidity position of its largest subsidiary, Appleton State Bank, Appleton, Wisconsin.

After discussion the issuance of the two orders and statement was authorized, along with the letter to Valley Bancorporation, subject to editorial changes agreed upon. Copies of the two orders and statement, as issued, are attached as Items 3, 4, and 5, respectively. A copy of the letter to Valley Bancorporation, in the form sent, is attached as Item No. 6.

Messrs. O'Connell, Leavitt, Donovan, and Smith then withdrew from the meeting.

First Plaza Company (Item No. 7). There had been distributed a memorandum from the Division of Examinations dated December 16, 1964, submitting a draft of letter to First Plaza Company, Lincoln, Nebraska, granting a determination that the company was not a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act.

Governor Robertson stated that he wished to be recorded as disapproving the requested determination. Although this case fell within the Board's policy applicable to so-called one-bank cases, this was a situation where he doubted seriously that the ruling was appropriate. First Plaza Company, located in Nebraska, had been set up primarily for the purpose of acquiring stock of a bank located in another State--in Westminster, Colorado; a loan for purchasing the stock had been obtained from a bank in Denver. While there was nothing illegal about such an

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arrangement, he did not feel that this company should be exempted from holding company affiliate requirements.

The letter to First Plaza Company was then approved, Governor Robertson dissenting. A copy of the letter is attached as Item No. 7.

Fallout shelters at branches of Atlanta Bank (Item No. 8). At the Board meeting on February 27, 1964, the Board approved a letter to the Federal Reserve Bank of Atlanta interposing no objection to proceeding with projects for fallout shelter facilities at the head office and the Birmingham, Jacksonville, and Nashville Branches.

In a letter of July 23, 1964, from the Atlanta Bank, Board approval was requested to proceed with construction of fallout shelters at the three aforementioned branch buildings on the basis of guaranteed maximum costs obtained from selected contractors. The guaranteed maximum estimates were about 36 per cent higher than the estimated costs submitted to the Board by the Bank in January 1964. Because the present cost estimates exceeded so greatly the original estimates and the expenditures authorized by the Board, the Bank felt that the figures should be resubmitted before proceeding with construction.

A memorandum from the Division of Bank Operations dated December 16, 1964, regarding the guaranteed cost estimates had now been distributed. It discussed and presented figures comparing the former estimated costs. While the latest estimates exceeded by a little more than one-third those furnished at the time the Board approved the shelter

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projects, the original estimates had been made on a "cost-plus-fixed-fee" basis, and the present estimates were on a "guaranteed not to exceed cost" basis where the contractor would assume the risk if costs should exceed the guaranteed maximum. In addition, the projects included work not exclusively related to providing shelter; the nature of this work was described in the memorandum.

A draft of telegram to the Federal Reserve Bank of Atlanta that would indicate Board approval of the Bank's proceeding with the construction of the fallout shelter facilities on the basis of the guaranteed cost estimates, as described in the Bank's letter of July 23 and a supplemental letter of November 19, was attached to the memorandum of December 16.

In discussion, Mr. Farrell and Mr. Daniels responded to various questions posed by members of the Board. It was brought out that the General Services Administration had scaled down the specifications for fallout shelters in Government buildings and that the July request from the Atlanta Bank had been held in order to obtain the scaled-down specifications. When such specifications were obtained, the principal difference between those and the ones sent to the Reserve Banks with the Board's letter of July 13, 1961, seemed to be that fallout shelters in Government buildings, which would be open to the public, would be designed for a maximum of three days' use in place of 14; no provision would be made for emergency stand-by electric power, and no provision would be

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made for filtering the air other than that necessary for normal use of the space. In a letter of November 19, 1964, the Atlanta Reserve Bank had expressed the opinion that rather than attempt to redesign the fallout shelters in the light of the latest specifications of the Office of Civil Defense, the Bank would prefer to do nothing more at the Nashville and Birmingham Branches than install emergency generators and wiring to operate lights and elevators during power failures. If the estimated cost of emergency power was excluded from the guaranteed maximum costs of providing fallout shelter and emergency service, the costs of shelters at the Birmingham, Nashville, and Jacksonville Branches appeared to be comparable with costs at other Reserve Bank offices.

At the conclusion of discussion, Governor Mitchell stated that he would not approve sending the proposed telegram to the Atlanta Bank. To him, the expenditures for the shelters that were contemplated were excessive and constituted a waste of money.

The telegram to the Federal Reserve Bank of Atlanta approving construction of the shelter facilities was then approved, Governor Mitchell dissenting. A copy of the telegram is attached as Item No. 8.

Year-end closing entries (Item No. 9). There had been distributed a memorandum from the Division of Bank Operations dated December 16, 1964, with regard to an attached statement showing the Federal Reserve Banks' estimates of earnings and expenses in 1964, together with proposed year-end adjustments. The reports received from the Banks indicated

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that no special charge-offs or other year-end adjustments requiring Board approval were contemplated. On the basis of the estimates, net earnings to the extent of about \$55 million would have been transferred to the surplus accounts to maintain the surplus of each Reserve Bank at the level of subscribed capital stock. However, in view of the action taken by the Board at its meeting on December 16, 1964, the payments to the Treasury as interest on Federal Reserve notes would be increased, and each Reserve Bank would have charges to its surplus account in amounts that would reduce that account to 100 per cent of paid-in capital.

There being no objection, it was understood that the Federal Reserve Banks would be advised by telegram that the Board had noted without objection the proposed 1964 year-end entries shown by the statements accompanying their respective communications, but with the understanding that such entries would be revised to reflect the action described in the Board's telegram of December 16, 1964, regarding the surplus accounts of the Reserve Banks and payments to the Treasury. A copy of the telegram sent to the Reserve Banks following today's meeting is attached as Item No. 9.

All members of the staff except Messrs. Sherman and Partee then withdrew from the meeting.

Call report. Governor Balderston reported on a telephone conversation between Chairman Barr of the Federal Deposit Insurance Corporation and Governor Mills last Thursday regarding the year-end call on insured

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banks, which was expected to be announced on January 6, 1965, calling for reports of condition as of the close of business December 31, 1964.

Regulation F. Governor Robertson reported on meetings held with Chairman Barr and Director Randall of the Federal Deposit Insurance Corporation since the Board's discussion of Regulation F, Securities of Member State Banks, on December 17. A number of details were commented on by Mr. Partee, and Governor Robertson stated that agreement had been reached on all points of difference discussed on December 17 and that he now expected the two agencies to issue virtually identical regulations to become effective January 1, 1965.

The meeting then adjourned.

Secretary's Notes: Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on December 18, 1964, memoranda recommending the following actions relating to the Board's staff:

Appointment

Ruth E. Foster as Statistical Clerk, Division of Research and Statistics, with basic annual salary at the rate of \$4,630, effective the date of entrance upon duty.

Salary increase

Carol Polievka, Clerk-Stenographer, Division of Research and Statistics, from \$4,410 to \$4,780 per annum, with a change in title to Stenographer, effective December 20, 1964.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

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Letter to the Presidents of all Federal Reserve Banks transmitting copies of the form (FR 107) to be used by State member banks in submitting reports of income and dividends for the calendar year 1964.

Letter to the Securities and Exchange Commission (copy attached as Item No. 10) requesting a three-month extension of the reimbursable detail to the Board of Thomas A. Sidman, Financial Accountant, Division of Corporate Finance.

Memoranda recommending the following actions relating to the Board's staff:

Reemployment following maternity leave

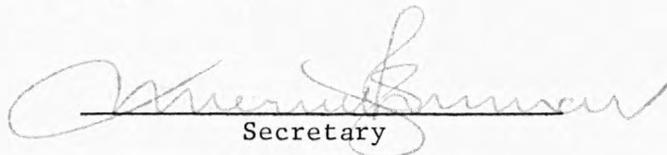
Alton C. James as Statistical Clerk, Division of Research and Statistics, with basic annual salary at the rate of \$5,080, effective December 21, 1964, it being understood that Mrs. James would be on leave without pay for the period December 21, 1964, through January 21, 1965.

Acceptance of resignations

Patricia J. Slovek, Statistical Clerk, Division of Research and Statistics, effective at the close of business December 18, 1964.

James S. Nystrom, Economist, Division of Research and Statistics, effective at the close of business January 2, 1965.

Peter Gajewski, Economist, Division of Research and Statistics, effective at the close of business January 9, 1965.

  
Secretary

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

Item No. 1  
12/21/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 21, 1964.

Board of Directors,  
Fall River Trust Company,  
Fall River, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Fall River Trust Company, Fall River, Massachusetts, of a branch on the east side of South Main Street in the village of Assonet, Massachusetts, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
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, D. C. 20551

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Item No. 2  
12/21/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 21, 1964.

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Manufacturers Hanover Trust Company, New York, New York, of a branch at 560 Washington Street, Borough of Manhattan, New York, New York, for the limited purpose of conducting the operations of its Currency and Coin Wrapping Department, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
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.)

12/21/64

## 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,  
Appleton, Wisconsin,  
for approval of the acquisition of voting  
shares of Sherwood State Bank, Sherwood,  
Wisconsin.

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ORDER APPROVING APPLICATION UNDER  
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(2)) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), an application by Valley Bancorporation, Appleton, Wisconsin, a registered bank holding company, for the Board's prior approval of the acquisition of 80 per cent or more of the voting shares of Sherwood State Bank, Sherwood, Wisconsin.

As required by section 3(b) of the Act, the Board notified the Commissioner of Banks for the State of Wisconsin of receipt of the application and requested his views and recommendation. No views or recommendation were submitted by the Commissioner.

Notice of Receipt of Application was published in the Federal Register on July 11, 1964 (29 F. R. 9518), which provided an opportunity for the filing of comments and views regarding the proposed acquisition, and the time for filing such comments and views has expired and all comments and views filed with the Board have been considered by it.

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is approved, provided that the acquisition so 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 21st day of December, 1964.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and  
Governors Balderston, Mills, Shepardson, Mitchell, and Daane.

Voting against this action: Governor Robertson.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

Item No. 4  
12/21/64

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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 In the Matter of the Application of  
 VALLEY BANCORPORATION,  
 Appleton, Wisconsin,  
 for approval of the acquisition of  
 voting shares of Reedsville State Bank,  
 Reedsville, Wisconsin.  
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ORDER APPROVING APPLICATION UNDER  
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(2)) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), an application by Valley Bancorporation, Appleton, Wisconsin, a registered bank holding company, for the Board's prior approval of the acquisition of 80 per cent or more of the voting shares of Reedsville State Bank, Reedsville, Wisconsin.

As required by section 3(b) of the Act, the Board notified the Commissioner of Banks for the State of Wisconsin of receipt of the application and requested his views and recommendation. The Commissioner advised that he would not interpose objection to approval of the application.

Notice of Receipt of Application was published in the Federal Register on August 27, 1964 (29 F. R. 12057), which provided an opportunity for the filing of comments and views regarding the proposed acquisition, and the time for filing such comments and views has expired and all comments and views filed with the Board have been considered by it.

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is approved, provided that the acquisition so 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 21st day of December, 1964.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and  
Governors Balderston, Mills, Shepardson, Mitchell,  
and Daane.

Voting against this action: Governor Robertson.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 5  
12/21/64

APPLICATIONS BY VALLEY BANCORPORATION, APPLETON, WISCONSIN, FOR  
APPROVAL OF ACQUISITION OF SHARES OF SHERWOOD STATE BANK, SHERWOOD,  
WISCONSIN, AND OF REEDSVILLE STATE BANK, REEDSVILLE, WISCONSIN

STATEMENT

Valley Bancorporation, Appleton, Wisconsin ("Applicant"), a registered bank holding company, has filed with the Board, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), two applications, one for approval of the acquisition of 80 per cent or more of the outstanding voting shares of Sherwood State Bank, Sherwood, Wisconsin, and one for approval of the acquisition of 80 per cent or more of the outstanding voting shares of Reedsville State Bank, Reedsville, Wisconsin. Hereinafter, the aforementioned banks, as well as Applicant's present subsidiaries, are sometimes referred to individually as "Bank", and in combination as "Banks".

Inasmuch as data bearing on Applicant's financial history and condition, prospects, and management are equally applicable to both applications, simultaneous determination by the Board of the two applications was considered appropriate. While separate Orders effecting the Board's determinations accompany this Statement, the findings, conclusions, and reasoning of the Board in respect to each of the applications are combined in this Statement.

Views and Recommendations of Supervisory Authority

Pursuant to section 3(b) of the Act, the Commissioner of Banks for the State of Wisconsin was asked for his views and recommendation

on each of the applications. The Commissioner submitted no views or recommendation regarding the Sherwood State Bank proposal. In respect to Applicant's proposed acquisition of the Reedsville State Bank, the Commissioner advised that he would not interpose objection to Applicant's proposal.

#### Statutory Factors

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

#### Financial History, Condition, and Prospects of Applicant and the Banks Concerned

Applicant has a relatively recent history, having been organized in May 1962, and became a bank holding company in March 1963, with the acquisition of a majority of the voting shares of the following three banks located in Wisconsin: Appleton State Bank and Northern State Bank, both located in Appleton, a community situated in the east-central part of the State, about 30 miles southwest of Green Bay, and Bank of Black Creek, located about

16 miles north of Appleton in the Village of Black Creek. Since Applicant's investment in its subsidiary banks has constituted and continues to represent virtually its total assets, appraisal of Applicant's financial condition and prospects must reflect a similar appraisal in respect to the banks it presently owns and the banks it proposes to acquire.

Appleton State Bank commenced operation in 1911. Its 53 years of operation are considered to have been financially sound. At June 30, 1964,<sup>1/</sup> Appleton State Bank held total deposits of \$31 million, an increase from \$18 million at year-end 1956 and of \$26 million at year-end 1961. The evidence before the Board reflects that the Bank's financial condition and prospects are reasonably satisfactory. The financial history of Bank of Black Creek is considered to be satisfactory. Since 1903, it has served the Village of Black Creek and the immediately surrounding agricultural area. Bank's deposits have increased from approximately \$1 million at year-end 1956 to slightly less than \$2 million. Despite Bank's lack of rapid growth its capital structure appears strong, and its general condition and prospects satisfactory. Northern State Bank was opened for business in January 1963, and holds total deposits of slightly more than \$2.5 million. The bank's growth in deposits and loans has exceeded projections made for its first two years of operation. The prospects of this bank are considered satisfactory.

<sup>1/</sup> Unless otherwise indicated, banking data used herein are as of this date.

In view of the financial history, condition, and prospects of each of Applicant's existing subsidiary banks, Applicant's condition and prospects are considered to be reasonably satisfactory.

Sherwood State Bank. - Sherwood State Bank (total deposits \$2.5 million) opened for business in 1914 in the Village of Sherwood, approximately 13 miles southeast of Appleton. It has had only a moderate growth rate, due principally to the fact that Calumet County, in which Bank is located, has no large cities or industries and little growth potential. Bank's asset position is considered sound and its general financial condition reasonably satisfactory. Despite Bank's limited growth potential, its prospects appear fairly satisfactory. In the Board's judgment, Applicant's ownership and operation of Bank would offer more aggressive, experienced management, resulting in asset investments that would better Bank's prospects and, as hereafter discussed, in loan policies calculated to serve better the particular needs of Bank's service area.

Reedsville State Bank. - In nearly all respects, the Board's foregoing findings and conclusions regarding the financial history, condition, and prospects of Sherwood State Bank are applicable also to the Reedsville State Bank. Bank, located in the Village of Reedsville in western Manitowoc County, approximately 27 miles southeast of Appleton, has offered general banking services to an essentially agricultural community since 1906. Bank's rate of growth

has been moderate, its total deposits amounting to \$2.3 million. As in the case of Sherwood State Bank, while Bank's financial history, condition, and prospects are considered to be reasonably satisfactory, continuation of its conservative operational policies offers little potential for increased growth rate. The more aggressive competitive policies likely to result from Applicant's ownership afford, in the Board's judgment, considerably better prospects for Bank.

#### Management of Applicant and the Banks

Applicant's management is considered to be capable and satisfactory. This conclusion, premised in part upon the generally satisfactory asset condition of each of Applicant's subsidiary banks, is supported by evidence of the rapid and sound growth of Northern State Bank, the most recently opened of Applicant's banks.

The management of Sherwood State Bank, although conservative, is considered to be satisfactory. However, its chief executive officer, now over 80 years of age and the owner of more than 50 per cent of Bank's outstanding voting shares, has made known his intention to sell his interest in Bank and retire. While management succession does not apparently constitute a critical problem for Bank, no provision has been made for executive management succession. Nor may it be lightly assumed that competent operating management can be acquired for a bank

with \$2 million in total deposits in a community as small as Sherwood. Even assuming the availability of competent management, it cannot be further assumed that such executive replacement would assure the type of management that Applicant's ownership and control appear to offer. Inasmuch as infusion of more aggressive management into Bank appears to have direct bearing upon both Bank's prospects for an improved earnings position and its potential for developing a loan program geared to handling demands for larger lines of credit such, for example, as those associated with the large farm co-operatives in Bank's primary service area, the likelihood that Applicant would accomplish these results through its ownership and operation of Bank constitutes a consideration favorable to approval of the application.

Reedsville State Bank's management, like that of Sherwood State Bank, is viewed as satisfactory, albeit conservative. Although Applicant's chairman of the board and its president hold, respectively, the same positions with Bank, it is apparent that Bank's conservative operating policies reflect in large measure the influence exercised by Bank's vice president and cashier, who is also a principal stockholder in Bank. Considerations paralleling those discussed above in respect to Sherwood State Bank's management situation exist as to Reedsville State Bank. Its vice president and cashier has announced his intention to retire in the immediate future. While the aforementioned individuals who serve as chairman and president of both Applicant and Bank could effectively act in securing replacement management for Bank,

the receptiveness of any prospective replacements would appear substantially more assured where the position is proffered by Applicant as Bank's owner rather than by officers and minority shareholders of Bank.

In sum, the foregoing findings and conclusions relating to the management factor weigh somewhat toward approval of the pending applications.

Convenience, Needs, and Welfare of the Communities and Areas Concerned

Sherwood State Bank is located in the Village of Sherwood, Calumet County, in the heart of an agricultural area. Bank's primary service area <sup>2/</sup> comprises the Village of Sherwood, with a population of about 400, and the area surrounding the village within a radius of two to four miles. The primary service area has an estimated population of about 2,000, has no major industries located therein, and contains no other banking offices.

Reedsville State Bank is located in the Village of Reedsville, in Manitowoc County, also an agricultural area. Reedsville State Bank's primary service area <sup>3/</sup> comprises the Village of Reedsville and the surrounding area within a radius of about four miles. The population of Reedsville is about 830 and that of Bank's primary service area about 2,600. As in the case of the Sherwood State Bank, Reedsville

<sup>2/</sup> The area from which Applicant estimates 83 per cent of the Bank's deposits of individuals, partnerships, and corporations ("IPC deposits") originate.

<sup>3/</sup> The area from which Applicant estimates 80 per cent of the Bank's IPC deposits originate.

State Bank's primary service area has no industrial concerns and has no other bank located therein.

In support of each application, Applicant has asserted virtually identical resulting benefits and advantages. In the main, these benefits are asserted to be the assistance that Applicant's farm loan officers can give to each of the Banks in respect to farm loan demands too large for the Banks to handle alone; the assistance Applicant can lend in respect to commercial and installment loan requirements of the respective Banks; the rendition of corporate fiduciary and investment guidance services; and the institution of internal audit procedures in each of the Banks.

In neither application before the Board does Applicant establish an unserved need for either the banking services it asserts will be made available by Applicant, or for any other major banking service normally required by customers in areas the size and nature involved in these applications. Should such needs arise, it appears to the Board that Appleton is sufficiently near the service area of each Bank as to constitute a reasonably convenient source of most such services. A significant exception to this conclusion relates to Applicant's proposal regarding assistance in respect to large farm credit demands arising in the communities served by the Banks. The increase in the number of

fairly large credit requests associated with consolidations of smaller farms into larger co-operative units requires experienced judgment which Applicant's officers appear particularly qualified to render. The assurance of qualified advice and related assistance in this field that is offered by Applicant's ownership of Sherwood State Bank and Reedsville State Bank constitutes a consideration supporting approval of the applications. Not only would such service result in a more assured and immediate source of large farm credit in both Banks, but it would likely act as a stimulus in developing in the Banks a more aggressive type of operation resulting in benefit to the communities served.

Effect of Proposed Acquisition on Adequate and Sound Banking, Public Interest, and Banking Competition

At present, Applicant's system is comprised of three banks, all located in or relatively near Appleton, in Outagamie County, with combined total deposits of \$35.5 million. Applicant is, and with acquisition of both Sherwood State Bank and Reedsville State Bank would continue to be, the smallest of five bank holding companies headquartered in the State of Wisconsin. Applicant's banks are the only bank holding company subsidiaries located in Outagamie County, although National Manufacturers Bank of Neenah (a subsidiary of The Marine Corporation, Milwaukee, a registered bank holding company), with deposits of \$21 million, is located some eight miles south of

Appleton in Winnebago County and competes in the Appleton area. No bank holding company subsidiaries are located in either Calumet or Manitowoc Counties, the situs of Sherwood State Bank and Reedsville State Bank, respectively.

The combined deposits held by Applicant's banks represent less than 1 per cent of the deposits held by all banks in the State. Consummation of the two proposed acquisitions would increase by only .10 the percentage of such deposits held by Applicant's banks. Considering as a single area the areas served, respectively, by Applicant's subsidiaries and by Sherwood State Bank and Reedsville State Bank, it is found that 31 banks (37 banking offices) are located or compete therein, and held aggregate deposits (at December 20, 1963) of \$247 million. Acquisition of both Sherwood State Bank and Reedsville State Bank by Applicant would result in its control of nine (24%) of the 37 banking offices, and about \$40 million (16%) of the stated aggregate deposits. Such control by Applicant would not represent a dominance in any of the areas concerned inimical to continued sound banking or to the public interest.

Of Applicant's present subsidiary banks, only Appleton State Bank competes with either Sherwood State Bank or Reedsville State Bank. An insignificant portion of Appleton State Bank's total loan portfolio originates in the primary service area of each of the Banks. Three of Sherwood State Bank's loans, representing less than 1 per cent of its total loans outstanding, originated in Appleton State Bank's head-office

primary service area. There is no evidence of any existing competition for deposits. Consummation of Applicant's proposals, therefore, would not result in elimination of meaningful existing competition or, in view of the size of the Banks involved, the distances separating them, and the characteristics of the area involved, of significant potential competition.

As earlier stated, Sherwood State Bank and Reedsville State Bank are the only banks located in their respective primary service areas. However, each faces competition from a number of banks located outside such areas. Nine banks, five of which are larger than Sherwood State Bank in terms of total deposits held, compete for business originating in the latter Bank's primary service area. Six banks, three of them larger than Reedsville State Bank in total deposits held, compete within Reedsville State Bank's primary service area. There is no reason to believe that the present level of competition between Sherwood State Bank and its competitors, and Reedsville State Bank and its competitors, would be affected significantly by consummation of Applicant's proposals. The potential for growth in either of the proposed subsidiary banks is limited by the population and trade characteristics of the areas. Applicant's operation of the Banks is not likely to affect adversely their respective competitors.

Nor, in the Board's judgment, will the public interest be adversely affected by Applicant's acquisition of Banks since, as

earlier identified, there will remain an adequate number of reasonably accessible alternative sources of banking services. Premised on the foregoing findings, the Board concludes that consummation of Applicant's proposals will not expand the size or extent of Applicant's system so as to be inconsistent with adequate and sound banking, the public interest, or the preservation of banking competition.

On the basis of all the relevant facts as contained in the records before the Board and, in the light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed acquisitions would be consistent with the public interest and that the applications should, therefore, be approved.

December 21, 1964.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

4492  
Item No. 6  
12/21/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 21, 1964.

AIR MAIL - REGISTERED  
RETURN RECEIPT REQUESTED

Valley Bancorporation,  
221 West College Avenue,  
Appleton, Wisconsin.

Gentlemen:

The Board of Governors has approved the applications of Valley Bancorporation for permission to acquire 80 per cent or more of the voting shares of Sherwood State Bank, Sherwood, Wisconsin, and of Reedsville State Bank, Reedsville, Wisconsin. The Board's Orders, accompanying Statement, and press release are enclosed.

In connection with the provisions of the Board's Orders requiring that the acquisitions be consummated no later than three months from the dates of the Orders, advice of the fact of consummation of both acquisitions should be given in writing to the Federal Reserve Bank of Chicago.

The Statement accompanying the Board's Orders approving Bancorporation's acquisition of Sherwood State Bank and Reedsville State Bank concludes that the financial condition and prospects of Appleton State Bank are "reasonably satisfactory". This conclusion has been premised primarily on the reasonably sound asset condition of the Bank and should not be read as reflecting satisfaction with either the Bank's capital structure or liquidity position. Rather, it is the Board's judgment that immediate and continuing attention should be given by Valley Bancorporation to improvement in the capital structure and liquidity position of the Appleton State Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures

4493

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 7  
12/21/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 21, 1964.



Mr. Gene C. Eaton, President,  
First Plaza Company,  
714 Stuart Building,  
Lincoln, Nebraska.

Dear Mr. Eaton:

This refers to the request contained in your undated letter, submitted through the Federal Reserve Bank of Kansas City, for a determination by the Board of Governors of the Federal Reserve System as to the status of First Plaza Company as a holding company affiliate.

From the information presented, the Board understands that First Plaza Company is a holding company affiliate by reason of the fact that it owns 17,630 (85.6%) of the 20,600 outstanding shares of stock of the First National Bank, Westminster, Westminster, Colorado; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that First Plaza Company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of Section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Gene C. Eaton

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If, however, the facts should at any time indicate that First Plaza Company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

**T E L E G R A M**

LEASED WIRE SERVICE

4495

Item No. 8  
12/21/64

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

December 21, 1964

BRYAN - ATLANTA

Board approves your Bank's proceeding with construction of fallout shelter facilities at the Birmingham, Jacksonville, and Nashville Branches, as described in Mr. Patterson's letters of July 23 and November 19, 1964, and authorizes expenditures of not to exceed \$108,979 at Birmingham, \$67,231 at Jacksonville, and \$95,702 at Nashville for these projects, which represent increases of \$29,279, \$17,831 and \$25,202 over the authorizations contained in the Board's letter of February 27, 1964.

(Signed) Merritt Sherman

SHERMAN

TELEGRAM  
LEASED WIRE SERVICE

Item No. 9  
12/21/64

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

December 21, 1964

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Board has considered and notes without objection proposed year-end closing entries of your Bank as shown by statement accompanying \_\_\_\_\_ (a) \_\_\_\_\_, but with understanding that such entries will be revised to reflect action described in Board telegram of December 16 concerning payments to U.S. Treasury and surplus accounts of Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

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|---------------|--|
| Boston        | (a)<br>December 8 letter from Mr. Latham |
| New York      | December 4 letter from Mr. Niles         |
| Philadelphia  | December 3 letter from Mr. Wilgus        |
| Cleveland     | December 10 letter from Mr. Clouse       |
| Richmond      | Your December 10 letter                  |
| Atlanta       | December 11 letter from Mr. Patterson    |
| Chicago       | December 3 letter from Mr. Jones         |
| St. Louis     | December 4 letter from Mr. Wotawa        |
| Minneapolis   | December 3 letter from Mr. O'Brien       |
| Kansas City   | December 9 letter from Mr. Andrews       |
| Dallas        | December 10 letter from Mr. Murff        |
| San Francisco | December 10 letter from Mr. Martens      |

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

Item No. 10  
12/21/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 21, 1964

Honorable Manuel F. Cohen,  
Chairman,  
Securities and Exchange Commission,  
Washington, D. C. 20549.

Dear Mr. Cohen:

With reference to my letter dated September 18, 1964, the Board would appreciate your consideration of a three-month extension of the reimbursable detail of Mr. Thomas A. Sidman, Financial Accountant, Division of Corporate Finance, to assist the Board in connection with its new responsibilities under the recent amendment to the Securities Exchange Act of 1934.

As was previously mentioned as a possibility, the project in which Mr. Sidman is participating will not be completed by the time his present detail expires, but we have reason to believe it can be concluded within three months with his continued assistance.

The Board appreciates the Commission's helpfulness and hopes the requested extension will be favorably considered.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.