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Des Moines, Iowa

June 30, 1986

Hawkeye Plans to Sell 17 Banks

A BRIEF announcement was made last week by Paul D. Dunlap, president and chairman of Hawkeye Bancorporation, Des Moines, that 17 of the holding company's 36 banks would be sold off to reduce Hawkeye's approximately \$100 million of debt.

Acknowledging that "It's very painful to downsize a company," Mr. Dunlap's announcement also said Hawkeye would sell its mortgage banking and insurance units and four other non-banking subsidiaries.

The proposal has not been formally reviewed by Hawkeye's creditors. They include Continental Bank of Chicago, First Bank System and Norwest Corporation of Minneapolis, Bankers Trust Company of Des Moines, Credit Suisse, Merrill Lynch and several-insurance companies.

Mr. Dunlap said "an accord with respect to a number of material issues has been reached with most of (Hawkeye's) institutional lenders. A final accord with such lenders is subject to resolution of other material issues, execution of definitive documents and regulatory approval. No definitive discussions have been had with preferred stockholders. Depending on certain factors, a meeting of common stockholders may be required."

Mr. Dunlap and Robert W. Mur-

ray, executive vice president and treasurer, said late last week that "considerable activity has already been generated" since the announcement earlier in the week of the planned sale of the 17 banks. This response came from officers and directors of many of the 17 banks, as well as from a number of interested bankers and other investors outside the Hawkeye family. Correspondent bank departments of major Iowa banks reported last week they had a number of calls from individuals wishing to discuss the possibility of such a purchase and to determine if bank stock loans would be available. Mr. Dunlap said first preference would be given to officers and directors of the local banks so the banks could continue as locally owned institutions by those people most familiar with them, and who have worked for some years to serve their respective communities.

Mr. Dunlap's announcement said further:

"Proceeds will be used to retire \$22.5 million of installment notes without interest, all due by June 30, 1988. Any excess proceeds will be applied to other debt. Installment payments on these notes are due \$10 million by December 31, 1986; \$5 million by June 30, 1987; \$5 million by December 31, 1987 and \$2.5 million by June 30, 1988. Term notes of \$15 million will be issued at prime rate, with a 12% cap, payable interest only for five years, renewable if no default exists for an additional five years with principal amortized during 1991 through 1996. Default in payment of the installment notes or term notes, or other loan covenants, will accelerate all debt obligations. Substantially, all the company's remaining assets will be pledged to secure the obligations.

"The creditors will receive \$30 million of subordinated capital notes, bearing prime interest rates with a 12% cap and due in three equal payments of \$10 million each on December 31, 1989, 1991 and 1993. At Hawkeye's option, payment of the first year's interest can be paid by delivery of an additional note due on June 30, 1989. Additional future interest can be paid by delivery of Hawkeye shares at then market price, at Hawkeye's option. If payment is not made on the principal of the capital notes, the creditors may elect to receive 25% of the common stock on a fully diluted basis at the time of the first due date, 1989, and an additional 15% at each of the second and third payments in 1991 and 1993."

Total assets of Hawkeye Bancorporation at 1985 year-end, as reported in the NORTHWESTERN BANKER'S 1986 Iowa Bank Directory, were \$1,820,532,000. At the end of May, those assets were approximately \$1.65 billion, with most of the decrease resulting from plan-

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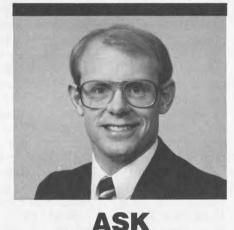
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Dorothea Wolfe

ned shrinkage, as many banks have done. The 17 banks now up for sale had year-end book value of approximately \$50 million, and total assets of \$556,986,000, according to figures in the *Iowa Bank Directory*, as furnished by the individual banks.

As noted earlier by Mr. Dunlap, proceeds of the sale of the 17 banks, with book value of \$50 million, would be applied to the debt outlined above. If all 17 banks are sold, those proceeds would retire the \$22.5 million of installment notes and all or a major share of the \$30 million in capital notes. The remaining debt, based on such assumption, would be between \$15 and \$25 million, with present creditors holding 2.6 million shares, or 25%, of Hawk-



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Toll free 1-800-332-5991 eye's stock. That eventuality is not a foregone conclusion, however, since creditors would be accepting Hawkeye stock at \$12.50 per share for \$32.5 million of current debt. At the present market value of Hawkeye stock at about \$3.25 per share, the 2.6 million shares are valued at \$8, 450,000, a difference of \$24 million. Creditors have not yet commented on the latest Hawkeye proposal.

Mr. Dunlap stated, "We hope counsel will be able to work out the remaining issues quickly. We are very pleased with the agreements which we have reached so far, which will reduce debt and spread the remainder over a term of ten years. The 'new' Hawkeye will have over \$1 billion of assets with improved potential for earnings."

He concluded his statement by thanking Hawkeye employees, directors and customers for their understanding, patience and loyalty during these difficult times. "The reward of our hard work is a 'new' Hawkeye Bancorporation, a healthy company ready to return to the task of building a better Iowa."

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	Total Assets (000s)	Capita (000s)
State Bank of Allison Allison	\$18,961	1,452
Hawkeye Bank & Trust Camanche	11,790	990
Hawkeye Bank & Trust Chariton	30,889	2,834

First National Bank Clinton	71,442	5,671
Hawkeye Bank & Trust Eldora	15,996	1,443
Hawkeye Bank & Trust Grundy Center	29,232	2,088
Hawkeye Bank & Trust Humboldt	65,641	5,010
Hawkeye State Bank Iowa City	21,620	1,403
Lake City State Bank Lake City	18,623	1,716
Hawkeye Bank & Trust Lake Mills	23,042	1,767
First National Bank Lenox	25,285	2,431
Hawkeye Bank & Trust Mason City	22,340	3,146
Hawkeye Bank & Trust Maquoketa	61,237	6,115
Houghton State Bank Red Oak	63,089	4,628
First National Bank Sibley	17,597	1,451
Hawkeye Bank & Trust Sioux City	23,592	1,723
Waukon State Bank Waukon	36,610	2,518
	\$556,792	\$46,386

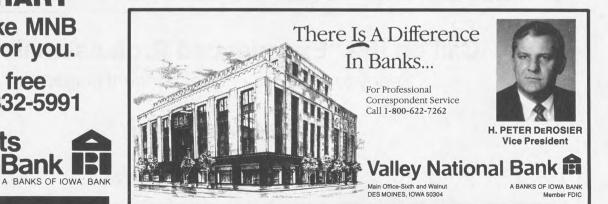
Nonbank Activities:

Hawkeye Bancorporation Mortgage Company Hawkeye Information Systems, Inc. Hawkeye Insurance Services, Inc. Hawkeye Farm Management Hawkeye Credit Card Center Iowa Higher Education Loan Program

Iowa News

DES MOINES: First Interstate of Iowa, Inc. and two of its subsidiaries, First Interstate Bank of Des Moines, N.A. and First Interstate Building Corporation of Iowa, have entered into an agreement to sell the First Interstate Bank Building and retail/office parking structure, Locust at Sixth Avenue, to Graham Investment Co. The sales price has not been disclosed. It is expected the closing will take place on or before September 30, 1986.

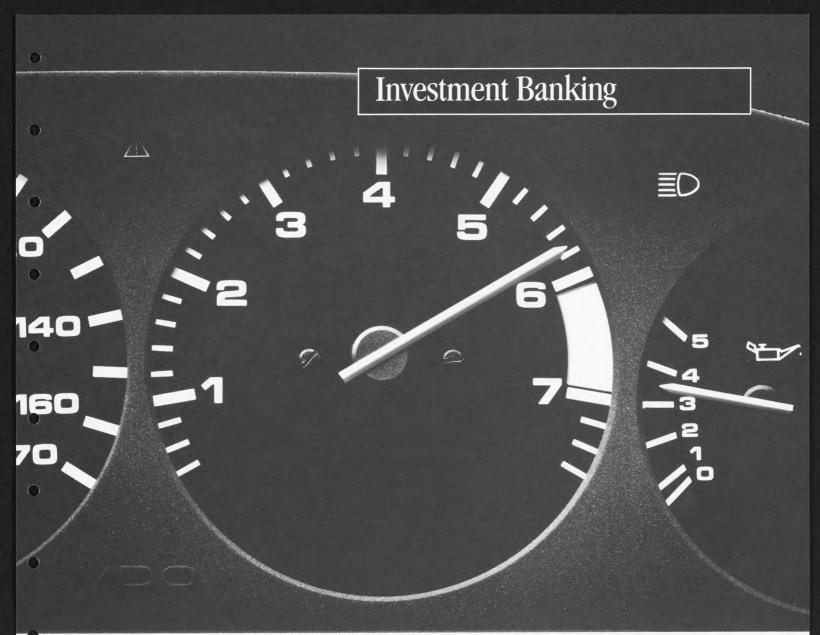
DUBUQUE: Key City Bank and Trust Company has announced the appointment of John V. Walsh as vice president-lending. He was a real



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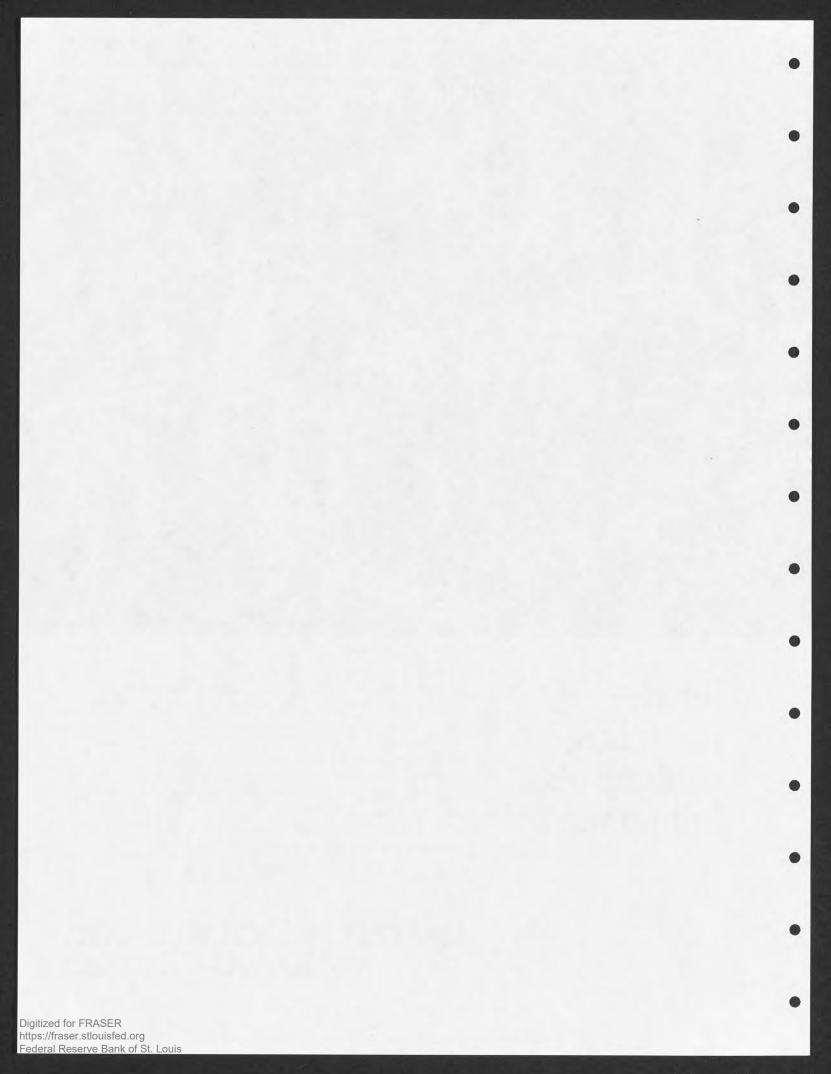
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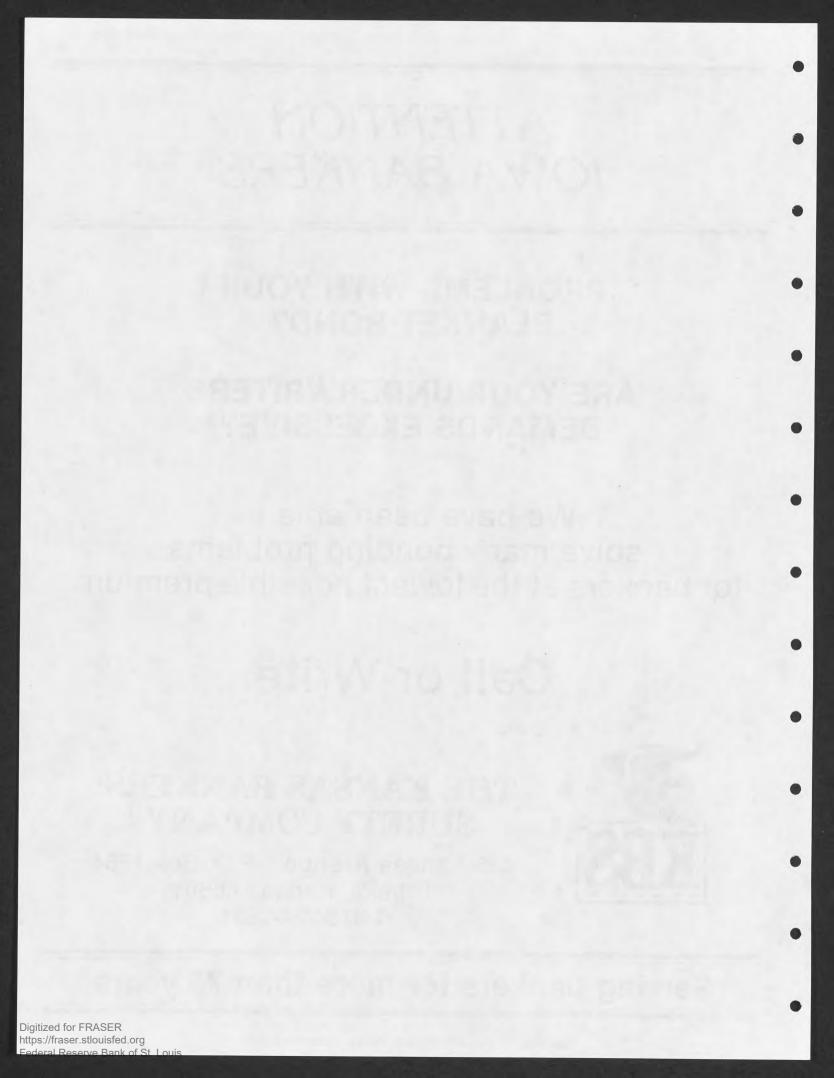
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estate lending officer at a Dubuque financial institution since 1967.

WEST DES MOINES: Nick R. Clark has been elected as vice president and manager of First Interstate Bank's West Des Moines office. Before joining the bank he served as vice president of Memorial Bank, N.A. in Oklahoma City, Okla.

Nebraska News

HASTINGS: Richard L. Harms has been promoted to vice president/ agricultural banking at Norwest Bank Nebraska, N.A. Mr. Harms joined Norwest Bank at Omaha in 1985 and was promoted to vice president of special loan administration later that year. He will assume his new duties at Hastings on July 1.

PALMER: Kirk R. Riley has been named the new executive vice president of the State Bank of Palmer. He was previously with The Farmers National Bank at Central City as vice president.

Wisconsin News

MILWAUKEE: William M. Cunningham and James H. Haberstroh have been promoted to vice presidents of First Wisconsin Trust Company. Mr. Cunningham joined the organization in 1985 and most recently served as assistant vice president. Mr. Haberstroh most recently served as assistant vice president, joining the trust company in 1977.

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North Dakota News

FARGO: Dan M. Carey has been named executive vice president of lending at Dakota Bank & Trust Co. He joined the bank in 1976, serving most recently as vice president.

GRAND FORKS: The board of First National Corporation recently declared a cash dividend of 15 cents per share. The dividend will be paid to all shareholders of record as of July 1, 1986 and will be payable July 22, 1986.

South Dakota News

GREGORY: Joe Duling has joined the Gregory branch of First Fidelity Bank as vice president and manager. He was a loan officer at another South Dakota bank. He replaces Wayne Pauli who has joined High Plains Bank of Elizabeth, N.A. in Colorado.

RAPID CITY: Four officers have been elected to vice presidents at First Bank of South Dakota. Ronald Evenson comes to First Bank from First Interstate Bank in Great Falls, Mont., where he served as vice president. Rollie R. Hill joined the bank last year as assistant vice president and credit specialist. Barry Martin, who has been with the bank since 1980, most recently served as assistant vice president. Sandra Vollmer, who most recently was assistant vice president, joined the bank in 1977. CALL:

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Minnesota News

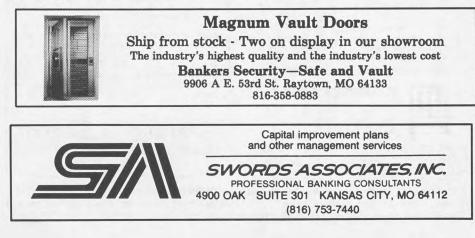
MINNEAPOLIS: Purchase agreements have been signed for the sale of four First Bank locations: Blue Earth and Waseca, Minn. and Highmore and Miller, S.D. The sales are pending regulatory approval. First Bank Blue Earth had year-end assets of \$33.5 million. First Bank Waseca had assets of \$42.3 million. First Bank Highmore had year-end assets of \$27.4 million, and the Miller office of First Bank of South Dakota had year-end assets of \$41.1 million. Specific purchase terms have not been disclosed.

ST. PAUL: Robert C. Beck has joined Midway National Bank as vice president operations. Prior to joining the bank, he was vice president and cashier at Independent State Bank of Minnesota.

Illinois News

CHICAGO: Continental Illinois Corporation has announced that Bruce M. Brenn has been named senior vice president in the international banking department. He joined the organization on June 1 as head of the Asia/Pacific group.

ROCKFORD: Kenneth E. Edge has been named executive vice president of AMCORE Bank Colonial, effective July 14. He is currently vice president of the retail division of the bank. He joined the organization in 1969.





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