Approved February 17, 1983
Date

MINUTES OF THE House COMMITTEE ON Commercial & Financial Institutions.

The meeting was called to order by Representative Harold P. Dyck at
Chairperson

3:30 ~~a.m.~~/p.m. on February 15, 1983 in room 313-S of the Capitol.

All members were present except:

Representative Sand, excused.

Committee staff present:

Bill Wolff, Research Department
Bruce Kinzie, Revisor of Statutes' Office
Martha Evans, Committee Secretary

Conferees appearing before the committee:

Lynn Anderson, Kansas Association for Economic Growth
Robert Brock, Brock Hotel Corporation
Paul Moritz, Moritz Implement Company
Dexter Davis, Missouri Commissioner of Agriculture (former)
Jeff Holmes, Riley State Bank; First National Bank of White City
Dr. Jack Gaumnitz, KU Professor of Finance, School of Business

HB 2001 - An act relating to bank holding companies; amending K.S.A. 17-1252 and repealing the existing section; and also repealing K.S.A. 9-504, 9-505, 9-505a, 9-505b and 9-505c.

Chairman Dyck announced that hearings for the proponents of HB 2001 would begin and he asked the members of the committee to wait to ask questions of the conferees until all of them had been heard. He then introduced Mr. Lynn Anderson, Vice President of Kansas Association for Economic Growth and President of the First National Bank in Lawrence, Kansas.

Mr. Anderson explained that the Kansas Association for Economic Growth is an organization representing banks of all sizes in both the rural and urban areas of Kansas. He said that the only legislative program of this organization is the promotion of legislation that would permit those banks needing and desiring the multi-bank holding company structure the opportunity to obtain and use it. He said that the organization is widely supported in the Kansas business community. Mr. Anderson expressed his appreciation to the committee for the amount of time allocated to HB 2001 which he felt was indicative of its importance and of the potential impact it could have on the state. Also, he commended the Interim Committee for the indepth study done which he said had provided the platform on which to base these hearings. He said that the KAEG had conferees who represented different viewpoints (i.e. banking, business, agriculture) of the bill. He then introduced a successful businessman from Kansas, presently in Texas, Robert Brock.

Robert Brock, President of the Brock Hotel Corp., said that when his headquarters were located in Topeka that he frequently could not secure loans because no state bank was large enough to be able to supply the amount of capital he needed. Brock said that enactment of this bill to change from the present unit bank system to the multi-banking holding company system would help large firms remain in Kansas. If multi-bank holding companies were approved for the state, the state's banks would be able to grow and increase their assets to the point they could handle big loans. Brock said that no one wants to destroy the small Kansas banks, and he did not think multi-bank holding structures would do that. He said there was room for both the large and small banks and they were two eifferent kinds of banks with business for both of them.

Paul Moritz, an implement dealer from Beloit, Kansas was next to appear favoring the passage of HB 2001. He said that he had been with Moritz Implement Co. for the past 36 years, and that when he came a large tractor sold for $3,000 to $3,500 and they now sell for from $100,000 to 135,000. He said that with these prices, customer notes were outstripping the allowed loan capacity of the banks and that by allowing multi-bank holding companies that the capacity of loans would increase through combining the assets of two or more banks. Pointing out that 47 states had multi-bank company structures, he added that it was hard to believe that they could all be wrong. (Attachment 1)

Dexter Davis, a former Commissioner of Agriculture in Missouri, told the committee the independent bankers in his state have continued to prosper after similar legislation was approved several years ago. He also said that from first-hand experience, the emergence of multi-bank holding companies in Missouri strengthened the ability of banks to meet agricultural lending needs and he was not aware of any agriculture credit problems. He warned that multiple structured banks in some form will be here in Knasas in the near future because he said it was progress and a more efficient form of banking. (Attachment 2)

Lyle Anderson then handed out a bound book to members of the committee containing letters from bankers from all over the state which indicated their preference for the multi-bank holding company structure and their support of HB 2001. (Attachment 3)

The next proponent of the bill to appear before the committee was Jeff Holmes. Mr. Holmes explained how he was President of two banks and two holding companies for those banks in two different cities, Riley and White City. He said that he controlled over 90% of the two banks and that the only thing the current law was doing for him was causing him a lot of expense and time. He said that his two other concerns were that the loan limit of the his banks would not be sufficient to keep some of the better agriculture customers going and secondly, that banking would become a game for the rich with our current laws. (Attachment 4)

Dr. Jack Gaumnitz, a University of Kansas Finance Professor, presented a study to the committee examining the significance and impact of multi-bank holding companies on state and local economics, on local capital and money markets, and on financial institutions. He said that most of the studies show that multi-holding bank form is more beneficial to the public interest when compared to the unit bank form. Stating that although the evidence and conclusions are not unanimous, the evidence is reasonably clear that benefits to the consumer from this type of organization tend to outweigh the costs and that the fears of those who oppose any form of multi-banking are largely unfounded and generally cannot be substantiated. (Attachment 5)

After the conferees had concluded testimony the members of the committee questioned them on points of their testimony and other matters within their expertise that might have a bearing on multi-bank holding company structure and law. After the questions and discussion had ceased, the minutes of February 7 were referred to for examination.

Rep. Holderman moved that the minutes of the February 7 meeting be approved. Rep. Miller seconded the motion and the motion carried.

The meeting was adjourned at 5:20 p.m. by the Chairman.

The next meeting of the committee will be held at 3:30 p.m. on February 16, 1983.

DATE February 15, 1983

GUEST REGISTER

HOUSE

COMMERCIAL & FINANCIAL INSTITUTIONS

NAME	ORGANIZATION	ADDRESS
John Tincher	Lyndon State Bank	Lyndon
Howard Ward	Kans assn Wheat Growers	St John
Mary Harper	AAM	Healy Ks.
Norman Harper	AAM	~~Healy~~
Sue Anderson	Ks. Ind. Bnkrs Assn.	Carbondale
Linda Sheets	Pete McGill & Associates	Topeka
Jack Staats	NFO	Jet City
David Furnas	Chamber	Wichita
Jeffrey J Holmes	Sunflower Bancshares	Riley
Dave Britton	Citizens State Bank	Ellsworth
Kork Britton	"	"
Bob Storey	KAEG	Topeka
Pete McGill	Pete McGill and Assoc.	Topeka
[illegible] Anderson	First Nat'l Bank	Lawrence
[illegible]	Lewis, Ks	
Jim [illegible]	KOLL	Topeka
John Peterson	KAEG	Topeka
Gerald Riley	KAWG	Topeka
[illegible]		Houston Tx
Marvin Umholtz	KLML	Topeka
Ron Smith	McGill & Assoc.	Topeka
Jack E. [illegible]	Univ. of Kansas	Lawrence

1.

DATE February 15, 1983

GUEST REGISTER

HOUSE

COMMERCIAL & FINANCIAL INSTITUTIONS

NAME	ORGANIZATION	ADDRESS
Mary Alice Lair	V. Chair GOP	Piqua
DON CHRISTY		SCOTT CITY KS.
MARK HOSMOELLER		SCOTT CITY KS
Tom Wilder	KSL	Topeka
Paul E. Fleener	Ks. Farm Bureau	Manhattan
Denny Burgess	KAEG	Wamego
[illegible]	Highland Pk Bank	Topeka
[illegible]	KBA	Topeka
BURR SIFERS	CHANNEL 19	

P.O. OFFICE BOX 598
219-223 EAST SOUTH STREET

GOOD EQUIPMENT MAKES A GOOD FARMER BETTER

MERCURY SALES & SERVICE

MORITZ IMPLEMENT CO.

INTERNATIONAL

TRACTORS -:- TRUCKS -:- FARM EQUIPMENT

TELEPHONE PE 8-3541

BELOIT, KANSAS

January 24, 1983

Kansas Legislature
Topeka, Kansas

Gentlemen;

I would like to express some thoughts about the forth coming action by you gentlemen in regards to mult-bank holding companies. I am in the agri-business (an Implement Dealer), our company has been in business for 64 years, I have been in its operation for 36 years.

36 years ago a large tractor and combine sold for $3,000 and $3,500. each. Today they sell for $100,000, and $135,000 each. We normally sell our retail customers notes to a local bank because of the personal contact type service offered by this institution. Our customers also remember how badly some of them were treated by out of state financial companies in the old days. Therefore, using local banks is actually a sales tool for us.

The only problem now is that our sales and customer notes are far out stripping the allowed loan capacity of our bank. When things return to normal in our area of farming we could easily have a million dollars of customer notes in a given year.

Allowing multi-bank holding companies would create a situation helful to our own problem by increasing the capacity of loans thru combining the assets of two or more banks.

Surely 47 other states can't be wrong in allowing this type of banking. You allow Insurance Companies, Mutual Funds, Saving & Loans, Sears and Credit Unions to enter this area of banking, but so far you are not allowing our small county and regional banks to join together to meet competition.

Lets make the rules the same for banks as you are for the other financial organizations. The consumer will benefit with more competition - but it has to be fair competition - SAME RULES.

Farming is the largest business in Kansas. No one is closer to the financial problems of the farmer than the small local banks and the agr-business dealers.

Lets not limit us out here by any short sightedness on your part. Lets get this done right- and get it done right now.

Moritz Implement Co.

Paul S. Moritz

Paul S. Moritz

PM;mb

Attachment 1
C&FI COMM - February 15, 1983

DEXTER D. DAVIS

Testimony before the House Committee on
Commercial and Financial Institutions

February 15, 1983

My name is Dexter Davis, former Commissioner of Agriculture of the State of Missouri. I have been associated with agriculture and agri-business most of my life. As Commissioner of Agriculture, I served as Chairman of the Governor's Advisory Council on Rural Development, President of Mid-America International Trade Council (a 12 state organization for the purpose of increasing midwestern agricultural export), and Member of the National Food Advisory Board.

Over the years, I have been closely associated with the farm and livestock business as a producer of veterinary pharmaceuticals and biologics, as a farmer and rancher, feedlot operator, farm manager, and real estate broker of agriculture properties.

I am here today to relate to you my experiences and observations during my term of office relative to the advancement of multi-bank holding companies in the state of Missouri. During my term in office from 1965 to 1973, much of the development and growth of multi bank holding companies took place.

As you are here in Kansas, we in the state of Missouri were also concerned about the effects of multi bank holding companies on the rural areas of our state. As Chairman of the Governor's Advisory Council on Agriculture, I called for a study investigating possible problems relating to change in banking laws. The fears which had been expressed by many proved unfounded and although there were some minute problems, we found few negative results in the agricultural areas.

Credit is a major concern of all facets of our economy from the small business man to the large corporation -- from the small farmer to the largest corporate farm. This valuable credit may be obtained from many sources including one's supplier or one's bank, but it is necessary in the operation of any business. In a farming operation, one can look for credit from national insurance companies, from the P.C.A.s, F.H.A., suppliers, or local banking facilities. And in many cases, multiples of the above.

As farming and ranching progressed from the oxen and mule team to a more sophisticated operation, the ingredients of technology, modern equipment, capitol, and credit have become more important. Today, the cost of many single equipment items necessary for farming operations could possibly be larger or nearing the loan limits of a small town bank.

Every individual or business has its credit limitation from all its sources. Other than the "Good Ole Boy" loans, a man's credit availability is what it is -- his ability to pay the loan back with a reasonable rate of interest.

I have not seen or experienced agriculture enterprises hindered or suffering from the change over of the ownership of the various local banks into a multi-bank holding company. Credit was not limited but, in many cases, enhanced by the expertise available.

Whether local or multi bank holding company ownership -- an agriculture bank is an agriculture bank -- it thrives only from its local economy, deposits, and good loans. A successful bank must continue its support to the community it serves.

Regardless of what theories you may hear of what might happen, my first hand experience -- and I can assure you that as commissioner of agriculture I would have been aware of agriculture credit problems -- was that rather than create problems, the emergence of multi bank holding companies in Missouri, strengthened the ability of banks to meet ag lending needs.

Multiple structured banks in some form will be here in Kansas -- maybe not with this bill you are considering but sometime now or in the near future -- because it is progress -- a more efficient way of banking.

KANSAS ASSOCIATION FOR ECONOMIC GROWTH

Attachment 3
C&FI COMMITTEE - February 15, 1983

KANSAS ASSOCIATION FOR ECONOMIC GROWTH

Eighth and Jackson
Merchants National Bank Tower, Suite 818
913-235-5727
913-235-5720
Topeka, KS 66612

To the members of the House Committee
on Commercial and Financial Institutions

The following banks are on record as supporting the concept of multi-bank holding company legislation in Kansas. These statements do not include nor represent all banks which support this legislation but are an indication of the breadth of support for a change to allow multi-bank holding company structure in Kansas. Cities represented in these statements include:

Abilene
Attica
Augusta
Beloit
Burdett
Caldwell
Chanute
Cimarron
Clay Center
Coffeyville
Concordia
El Dorado
Elmdale
Emporia
Eureka
Florence
Fredonia
Great Bend
Greenleaf
Grinnell
Hays
Holton
Hutchinson
Iola
Junction City
Kansas City
Larned
Lawrence
Leavenworth
Liberal
Lyons
Macksville
Manhattan
Meade
Minneapolis
Mission
Ness City
Newton
Paola
Prairie Village
Pratt
Russell
Shawnee
Shawnee Mission
Spring Hill
Sublette
Syracuse
Timken
Topeka
WaKeeney
Wellington
Wetmore
Wichita
Yoder

CB CITIZENS BANK

FOURTH & SPRUCE
ABILENE, KANSAS 67410
(913) 263-2210 MEMBER F.D.I.C.

September 30, 1982

To Whom it may Concern:

As a community banker in Abilene, Kansas, I wish to express my views on legal restrictions which prevent the formation of multiple-bank holding companies in Kansas. It is my opinion that such restrictions (1) retard economic expansion in Kansas, (2) prevent maximum utilization of Kansas financial resources for use in Kansas, (3) deprive the Kansas bank customer of some banking services and expertise, and (4) limit investment and sales options of potential investors or of stockholders of Kansas banks. To be more specific, the following comments are added:

1. Opponets of multi-bank holding companies express fears of concentration of financial resources which may result in "too large" banks. I contend that size is important to some large customers. As a result, some of these customers when considering a plant location may choose a location in another state. Of if the location is in Kansas, some may choose to bank in another state, where they can receive large lines of credit or services and expertise identified with larger banks. Multi-bank holding companies in Kansas would encourage a concentration and growth of bank resources which would attract this type of customer, and encourage economic expansion. Potential bank customers would also have the freedom of choice of bank size to suit their needs-----in Kansas.

2. Financial resources in Kansas banks would be more efficiently utilized in Kansas if multi-bank holding companies were permitted. Some banks attract deposits which, because of limited loan demand, are not fully used for development in Kansas. These funds are frequently invested in U.S. government obligations or in out of State investments to produce maximum yield. It would be more beneficial for Kansas if these funds could be utilized by an affiliated holding company bank which had a more active loan demand. Both banks, being part of the same corporate organization, would have no problems in assessing the quality of such loans. Funds would stay in Kansas, for use of Kansas , and a number of banks would be better able to support Kansas needs.

3. A larger bank organization, made possible through common ownership of several banks would find it economically more feasible to expand services and to specialize in expertise available to all the banks in the system. The result could be improved services to the banks and to its customers. Some of these services might not be available in a single bank. Examples of service: (a) Specialized loan services (b) Trust services (c) Investment services (d) Safekeeping (e) Business development assistance.

4. Multi-bank holding companies would provide a more active market for stockholders of Kansas banks and for investors seeking investment in banks. The holding companies would result in larger more diversified units which might be more attractive as investments. Expanding holding companies would be able to finance acquisitions more readily and might offer higher prices for bank stock of those who had been active in the development of some of the Kansas banks. Kansas ownership of Kansas banks would be encouraged.

Federal trends indicate changes in other states which encourage multi-bank holding companies and larger bank units. Kansas banks need the ability to grow and to compete!

Sincerely,

EAMorse

E. A. Morse
President

THE FIRST NATIONAL BANK

RUSSELL D. STODDARD
PRESIDENT

ATTICA, KANSAS 67009

July 14,1982

To Whom It May Concern:

This letter is written to state that it is the feeling of the majority owners of the First National Bank of Attica, Kansas that there should be a change in the banking structure in the State of Kansas.

We feel that a bank holding company in Kansas should be permitted to own more than one bank in Kansas. The problems being experienced by small banks in the form of un-restricted competition, more and more complex technical and accounting problems, and our inability to enter into the mainstream of the economy because of size are a few of the problems.

We believe that the ability to combat our problems can often best be attained by a joining together and consolidating our energy and abilities.

We do not encourage this change so we will have a better market for the sale of our bank. Our bank is not for sale and we have a ready market. We do encourage this change so that there is another option available to the smaller bank, and to help insure that the small communities of Kansas will continue to have a viable banking system with the best chance, as we see it, of the ownership remaining in Kansas.

Russell D. Stoddard

Russell D. Stoddard
President

ja

the Guaranty
STATE BANK & TRUST Co.

SEP 17 1982

September 16, 1982

To Whom It May Concern:

We want to go on record as being in favor of changing Kansas law to enable the establishment of multi-bank holding companys. Under the self-limiting one bank holding company rules we find ourselves at a competitive disadvantage with the various kinds of financial institutions that are in our market for dispensation of financial services.

We have listened with interest and made a close study of the debate between a group, favoring the status quo, and led by individuals under the mask of the Kansas Independent Bankers as contrasted to those of us who favor a more progressive stance. It is interesting that the KIBA folks claim that maintaining their posture will best serve the consumer. Personal observations, garnered over 30 years of banking, have taught me that the consumer benefits from stronger competition among those serving them. In this philosophy of the KIBA, seems to be a misconception that they are now serving their public exclusively and in the best way possible. It seems to us they fail to comprehend the most salient point and that is that banking no longer enjoys the position of exclusively furnishing financial services. Apparently, they cannot see the tremendous inroads being made by Merrill Lynch, Sears, American Express, Credit Unions and S & L's into their sacred ground.

We may have thought of banks being our only competition many years ago; but for the last 25 years we have not thought that here at Beloit (North Central) Kansas. We would have to be blind and dumb to not be aware of where a very large share of depository funds are now going. It is from this fact that we ask, with great conviction, that we be permitted to play the game with the same set of rules as <u>all our competition</u> and remain in the same league.

It is interesting that comparisons by the KIBA are often made to selected states that perhaps have had some problems with making the transition. We prefer to look at the number one agricultural state in most categories, Iowa, who has had multi-bank holding companies for many years. Their record shows an ability of the independent banking system to remain strongly viable in an atmosphere of competition with multi-bank holding companies, obviously, their agriculture has not suffered.

201 S. Mill St.
Beloit, Kansas 67420
913-738-3501

Ways are being found thru the putting together of a consortium of one bank holding companies now, that is costly and perhaps an inefficient way to obtain multi bank hodling company advantages and this has been going on in Kansas since one bank holding companies were first permitted.

We have a reputation of being one of the strongest agricultural banks in the state. If we are, it is because we work very hard at serving our customers in every way possible and that is the name of the game.

We believe it is time for a positive move forward to catch up with the rest of the world. We submit that those wanting to build (or maintain) an iron curtain of protective legislation around themselves should examine their own conscience. If you are afraid of the future and ask for special protection, your days as a banker are probably numbered, in any case.

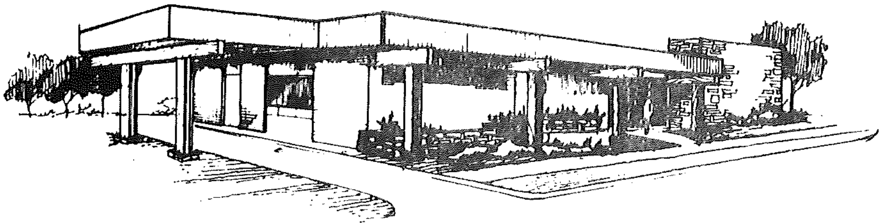
Those charged with the responsibility of establishing the rules should only consider one thing and that is to create the best possible atmosphere for the citizens of this state to prosper and develop. It is our contention this can only be accomplished by equality and fairness in the laws for all competitive entities.

Respectfully yours,

Dean D. Haddock

DEAN D. HADDOCK
Chairman of the Board
& President

DDH/cls



THE BURDETT STATE BANK

FRANKLIN W. NELSON
CHAIRMAN OF THE BOARD
CHIEF EXECUTIVE OFFICER

Your Friendly Bank

FDIC

TELEPHONE 316 525-6216
BURDETT, KANSAS 67523

September 24, 1982

TO WHOM IT MAY CONCERN:

In order to encourage economic growth and to allow fair and equal treatment of Kansas banks,

THE OFFICERS OF THE BURDETT STATE BANK SUPPORT

MULTI-BANK HOLDING COMPANY LEGISLATION:

Sincerely,

THE BURDETT STATE BANK

Franklin W. Nelson
Chairman of Board & Chief Executive Officer

Dale E. Millington
President

Raymond L. Patterson
Vice President

Jean E. Miller
Cashier/Secretary/Treasurer

Darlene M. Rucker
Assistant Cashier

The
Stock Exchange Bank
Caldwell, Kansas 67022
INCORPORATED 1881

July 15, 1982

C. GAGE OVERALL
President and
Chairman of the Board

To Whom It May Concern:

The Stock Exchange Bank was established in 1881 and has been operated under the belief that we are a locally owned bank that would serve small business and professional people and most certainly our strong agricultural economy. We are independent and definitely committed to personal service. Although we have survived and prospered in this environment we now believe that it is time to review our State of Kansas banking structure. We feel that a change to a multi-bank holding company structure would be a positive move or at least not negative. Let me emphasize that I am talking of multi-bank holding companies and not Branch Banking.

This environment offers the advantages of additional resources if desired to cope with the vast changes that we have seen most recently in our industry. Yet we also may remain as independent to any degree as we wish. I honestly doubt that the fears which are expressed concerning multi-bank holdings are really justifiable or would have any effect on most of the banks in the State of Kansas.

It would appear, though, that our state must be prepared for an environment that will most certainly come about at the national level; therefore, why not be ready instead of being forced to make indecisive, costly mistakes due to outside pressures. Therefore, the Stock Exchange Bank does support a review of our present banking structure.

Sincerely,

C. Gage Overall

C. Gage Overall
President

CGO:jf

P.O. Box 273 · Telephone A/C (316) 845-6431
Member, Federal Reserve System
Member, Federal Deposit Insurance Corporation

FIRST NATIONAL BANK

of Chanute, Kansas

July 21, 1982

John Peterson
1206 W. 10th
Topeka, KS 66604

Dear Mr. Peterson:

I have been asked to write you concerning my views on legislation that would permit multi-bank holding companies in Kansas.

Our unit banking structure has served Kansas banks well for many years, however, due to the vast changes which have taken place, I feel it is time for change.

Kansas banks are not only competing against a Savings and Loan Industry that can locate in new market areas at will, but against totally unregulated competitors such as Money Market funds, brokerage firms, etc. These firms have the right to locate anywhere they wish.

If Kansas law is not changed to allow multi-bank holding companies, or at least some sort of branching, our future is dim at best.

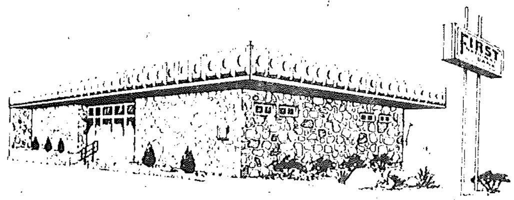
If I can be of any assistance to your group, please don't hesitate to contact me.

Sincerely,

FIRST NATIONAL BANK OF CHANUTE

By______________________________
R. David Bixby
President

RDB/cjb



FIRST NATIONAL Bank
PHONE 855-3416
CIMARRON, KANSAS 67835

JOE D. BUTCHER
President

September 20, 1982

To Whom It May Concern:

I am concerned about state law which limits and restricts Kansas banks while other financial institutions continue to grow and prosper by attracting bank loans and deposits through unfair competition. The additional threat of inter-state banking or bank acquisition by out of state holding companies is on the horizon.

A major change in bank structure is needed to give all banks equal opportunity to serve and compete. Therefore, I favor legislation to approve multibank holding companies in Kansas. This change would improve the ability of banks to compete with outsiders without being detrimental to any size bank or community. It would also help stabilize the continuity of future ownership.

I do not favor branch banking in Kansas.

Sincerely,

Joe D. Butcher

Joe D. Butcher
President

JDB/jc

UNION STATE BANK

P. O. BOX 518

CLAY CENTER, KANSAS 67432

September 16, 1982

CHESTER W. OBERG
PRESIDENT

KENNETH G. STROM
EXECUTIVE VICE PRESIDENT

TO WHOM IT MAY CONCERN:

I endorse the efforts being made to secure legislation which will remove the restrictions on Kansas banks from participating in multi-bank holding companies.

The many other financial institutions which compete with our Kansas banks are not restricted from branching all over the state of Kansas. We feel that this competition is very unfair.

The economic growth of the state of Kansas would be greatly enhanced by banks associated in a multi-bank holding company because of the capitalization that would be available to finance large projects.

I hope you will give this matter your greatest consideration.

Sincerely yours,

Chester W. Oberg

Chester W. Oberg
President

CWO:lm

July 19, 1982

TO WHOM IT MAY CONCERN:

With all of the changes we are having in our financial environment, it is my opinion that the Kansas Legislature should amend state statutes relating to the structure of financial institutions. I favor multibank holding companies because I believe this would give us the flexibility we need to be competitive with the Merrill-Lynch, Sears Roebuck, etc. The structure of the multibank holding companies would allow banks to offer their customers the most up-to-date services available.

We need to give an option to the banks in Kansas that wish to move ahead and meet the challenges of the 80's. The structure of the multibank holding companies could be the answer for many of us.

Sincerely,

Dean W. Daniel

Chairman

DWD:jm

First National Bank

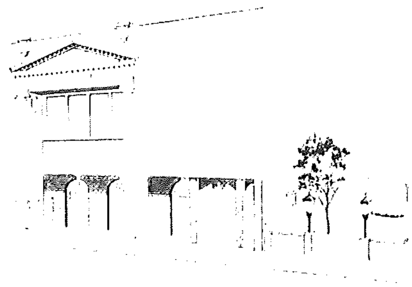
BOX 567 / COFFEYVILLE, KANSAS 67337 / (316) 251-0200

DEAN W. DANIEL
Chairman Of The Board
And Chief Executive Officer

ESTABLISHED 1878

CLOUD COUNTY BANK & TRUST

DONALD R. LACKAMP
PRESIDENT



CONCORDIA, KANSAS
66901

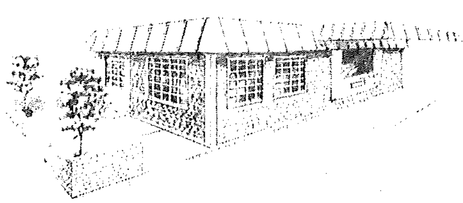
September 24, 1982

To whom it may concern:

RE: Proposed changes in bank structure for Kansas Financial Institutions.

During the last few years I have had an opportunity to experience both unit and multi banking structures. The most common objection to multi bank holding company structure is that rural deposited dollars will be allocated through management priorities of "large city banks". My experiences in the State of Missouri would be very contradictory to this philosophy. To some extent, there is a monitering of the flow of dollars by the "large city banks", however, essentially all decisions as to allocation of rural bank deposits are made at the local bank level. Local deposits remain in the communities within which they are generated in the same manner with which deposits are allocated by Kansas rural bankers.

It will be imperative for Kansas bankers to be provided an opportunity to make their own decisions as to whether they wish to become an affiliate bank of a major bank holding company. De-regulation of interest rates will compound the necessity for a multi bank holding company structure to be able to provide financial services at competitive prices by the enhanced efficiencies of the multi bank holding company concept. Again, it would be extremely detrimental to Kansas banking to not have this or a similar concept available as an alternative. A federal change in bank structure would place Kansas banks in an extremely unfair competitive advantage that would take several years to catch up with other financial institutions and particularly those which are located in multi bank holding company states.



Plaza Motor Bank
East 6th St. Trafficway
Alco Plaza

Cloud County Motor Bank
West 6th & Cedar

In summary, this independent Kansas banker strongly supports the proposed changes in bank structure. I would be pleased to expand on these thoughts in depth with the special committee on commercial and financial institutions and/or any of the members thereof.

Sincerely,

D R LacKamp

Donald R. LacKamp
President

DRL:js

First

Bank

&

Trust

September 23, 1982

To Whom It May Concern:

We have watched for several years developments in the debate over bank structure in the state of Kansas. We have not been particularly sympathetic to the arguments against opening the various geographic areas of the state to competition from large bank organizations. On the other hand we saw no reason to promote large bank efforts to expand throughout the state. Recent developments in non-regulated competition, new services to consumers, and the current economic environment have convinced us that now is the time to take a stand. We support multi-bank holding company legislation for the following reasons:

1. We feel the consumer should have access to as many bank services as possible because the "BANK" services of non-banking firms are available to him without regulation.

2. Because of the vast changes in the industry, many owners and managers of banks need the liquidity and management assistance multi-bank holding companies can provide.

3. As evidenced in other states, well run, independent banks will continue to thrive when multi-bank holding companies come to Kansas.

We have come to support multi-bank holding company legislation because we feel it will benefit the banking industry but more important it will benefit the consumer through better and less expensive banking services.

Cordially,

Perry F. Bemis

Perry F. Bemis
President

PFB/mj

P. O. Box 329 Concordia, Kansas 66901 Phone 913-243-4141

JUL 21 1982

1st National Bank & trust company

MAIN BANK
200 N. Main (316) 321-5200

1ST NATIONAL WEST
2314 W. Central (316) 321-5201

El Dorado, Kansas 67042

FDIC

July 20, 1982

To Whom it May Concern:

The State of Kansas needs to take a new look at the banking laws which presently outlaw multi-bank holding companies or branch banking. Large urban banks have already figured ways to circumvent the laws legally to seemingly allow them privileges which smaller banks cannot do economically. National banking regulations will undoubtedly allow interstate banking in the not too distant future. Why should we be so slow in reacting to the deregulation of the banking industry. Competition to Kansas banks is now coming from mutual funds, retail chains, insurance companies and agents for large out-of-state banks.

Multi-bank holding companies would allow banks to join together in common ownership which would make them more competitive. Local banks could then be lenders to larger businesses located in their communities. I would like to see multi-bank holding companies allowed.

Branch banking should be a decision of management. In the deregulation environment, why not allow banks to make loans in branches. If it is not economical, management should be allowed to make the decision based on their bottom line.

Sincerely,

Frank J. Becker

Frank J. Becker
President

FJB:ss

PEOPLES EXCHANGE BANK

ELMDALE, KANSAS 66850

September 20, 1982

To Whom It May Concern:

The State of Kansas needs a re-structuring of banking regulations thru the legislative process to permit Multi-bank Holding Company operation in our state.

We as bankers have not opened our eyes to what our competition is doing, but tend to compete among ourselves. Unless we want to loose our share of the monies in our community, we had better make the necessary adjustments, and I strongly believe that the day of the unit bank are numbered.

The banks of Kansas should ask for the legislation they want, and not have our state banking laws by-passed with national legislation.

I am not for branch banking, but believe that banks in our state should have the right to organize under Multi-bank Holding Companies for the purpose of being competitive with other financial institutions who have the right to branch at will.

Sincerely,

Duane A. Hickox, President

A FULL SERVICE BANK

Each depositor insured to $100,000 FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

CNB

Citizens National Bank
and Trust Company

July 15, 1982

To Whom It May Concern:

Please be informed that the management of Citizens National Bank and Trust Company, Emporia, Kansas have been and are deeply concerned that the banking laws of Kansas have restricted our ability to compete in our efforts to provide financial services for the many customers we serve.

At the very least, we feel that the laws should be liberalized to provide for multibank holding companies and full banking services in detached facilities.

Sincerely,

L.J. Freeman

L. J. Freeman
President

jae

Box 1048 Emporia, Ks. 66801 316-342-5350

LYON COUNTY STATE BANK

DRAWER 488 • Emporia, Kansas 66801

(316) 342-3523

October 8, 1982

TO WHOM IT MAY CONCERN:

This is to advise that the Lyon County State Bank supports any legislation that would permit multi-bank holding companies in the state of Kansas. This is consistent with letters I sent to Senator Gerald Karr and Representative James Lowther in March, as well as the KBA questionnaire in July.

Sincerely yours,

L. W. Price,
PRESIDENT

LWP/lft
encl.
cc: R. D. Stoddard
Harold Stones

PS: We are a paid member in good standing of KAEG.

HOME BANK

HOME BANK & TRUST CO.

MEMBER FDIC

July 14, 1982

TO WHOM IT MAY CONCERN:

Gentlemen:

I have been asked the question if I favor legislation supporting the concept of changing the structure of banking in Kansas. It is my feeling that structural changes such as multi-bank holding companies are inevitable and will happen within the near to intermediate future due to state and out of state pressures moving in that area. I also feel that its important to have a say in how it happens as far as smaller banks are concerned in this area. It would seem this vehicle could be used to enhance our abilitiy to compete with larger institutions that are promoting such legislation. If we therefore set back on the back burner and do not become involved I feel it will be to the detriment of the smaller banks and therefore we will lose the ability to service our customers properly and provide them the services of the future which these larger institutions will provide in our market areas, through the vehicle of multi-bank holding companies.

Yours very truly,

R. D. RUCKER
President

RDR/anj

F. B. GRAHAM, President

DON PATRY, Cashier

THE FLORENCE STATE BANK

FLORENCE, KANSAS 66851

September 23, 1982

TO WHOM IT MAY CONCERN:

I would highly favor that the Legislature look into making a change in the Multiple Bank Holding Companies laws as they now stand.

Please find enclosed our contribution toward this cause.

Sincerely,

Don Patry
Executive Vice-President
Florence State Bank

State Bank of Fredonia

P. O. BOX 480
FREDONIA, KANSAS 66736
(316) 378-2114

GLENN H. BEAL, PRESIDENT

July 15, 1982

TO WHOM IT MAY CONCERN:

Re: Bank Structure

We have felt for a number of years that if the banking laws of Kansas permitted multiple-bank holding companies, it would create a market for the small country banks.

We believe it has proven quite successful in the states where it now exists, and it would be a progressive step if our legislature would adopt such a law.

Sincerely,

G H Beal

President

GHB:dh

Security State Bank

J. A. MERMIS, JR.
VICE CHAIRMAN OF THE BOARD,
TRUST OFFICER & CHIEF EXECUTIVE OFFICER

GREAT BEND, KANSAS 67530

September 21, 1982

Members of the Commercial Financial Institution Committee
Statehouse
Topeka, Kansas 66612

Gentlemen:

Security State Bank, Great Bend, Kansas, was organized and opened for business December 9, 1950. At that time Great Bend had two other banks that are still in existence. Our bank now has total resources of approximately Sixty Million Dollars.

It has always been my opinion, and the Board of Directors of our bank share this opinion, that Kansas law relative to bank structure should be modernized so that private enterprise can continue to operate banks in a conservative, aggressive and progressive manner. One of these changes that would certainly be beneficial to public interest would be the changing of the law allowing Multi-bank Holding Company. By doing this it would make funds available to various parts of the State where it was needed by using funds of the Multi-bank Holding Company from areas where demand for funds was not so great. The key would be mobility of funds shifting geographically where need is the greatest.

I certainly feel that a law permitting Multi-bank Holding Company in the State of Kansas would be not only of public interest, but would be of great benefit to all the customers of the banks involved.

I sincerely hope your committee will favorably recommend Multi-bank Holding Company in the State of Kansas.

Sincerely,

J. A. Mermis, Jr.
Vice Chairman

JAM:bs

P. O. BOX 909   17TH AND MAIN   316 792-2521

THE CITIZENS NATIONAL BANK

GREENLEAF, KANSAS

66943

September 20, 1982

To Whom It May Concern:

This letter is to indicate my support of multi-bank holding company legislation in the State of Kansas as per my testimony earlier this summer.

Sincerely,

Gary W. Padgett

GRINNELL
KANSAS
67738

MEMBER FDIC
(913) 824-3291

PEOPLES STATE BANK

JUL 21 1982

July 19, 1982

William G. Wolff
Kansas Legislative Research Department
Room 545-N, Statehouse
Topeka, Kansas 66612

Dear Mr. Wolff:

Thank you for sending the questionaire on banking structure in Kansas. I approve of the creation of a special committee to study this issue and I appreciate the opportunity to share my views on this issue which is so sensitive within the banking community. I believe that better resolutions of the needs of all can be reached by the active participation of all involved.

As I observe the National trends in change to financial structure over the last few years, I believe it to be inevitable that the Federal regulators, etc., are moving toward either enactment of enableing legislative or else permissive regulatory rulings to allow the crossing of state lines by either branch banks or multiple bank holding companies. I do not believe that it would be equitable to allow inter-state branching or multi-banking thru national legislation or regulation while prohibiting those alternatives to those banks located within the state.

I believe the multiple bank holding company structure would serve the needs of our local areas better than branches. There would be local boards of directors composed of members of the local community rather than merely temporary managers dispensing credit evaluations according to formulas established by a loan committee of the main bank who are not familiar with local conditions or customers. I would prefer to see our state legislators face this probability and enact state legislation authorizing multiple bank holding companies.

Sincerely yours,

Tim Sandgren, President

glg

The First National Bank of Hays

Roger D. Batson
President

August 13, 1982

TO WHOM IT MAY CONCERN:

RE: Holding Companies in Kansas

Gentlemen:

For some time now the State and National banks in Kansas have been operating in an unfair competitive market. We are presently structured in the State where a savings and loan or credit union can go into any community and establish a branch that can produce all of our banking functions, including loans. Banks in Kansas are limited from doing this. It is a great concern to me when I see our market slowly disintegrating.

We also have one of the largest giants of the world going into every community in Kansas and taking out literally millions of dollars. These people operate without any regulations and can come in and destroy our deposit basis. Kansas banks are the back-bone of all of the business loans, farm loans, and in many cases the building loans. Without the bank loans that we produce there would be a much higher rate of unemployment and we would have a terrible time seeing businesses operate if there were no funds to loan them. Money market funds are not putting money into Kansas.

My concern with the holding company concept is unless we are allowed to go in and service our surrounding small communities and to allow ownership of more than one bank by a holding company, we will slowly, but surely, become owned by Sears and Roebuck or some of the money market fund companies. We definitely, for competition, need to have ownership in more than one bank. We need Kansas people able to handle the direction and leadership in the Kansas banking role. At this time I am not in favor of multi-bank holding company ownership from all over the United States, but I am definitely for Kansas bankers being able to hold ownership in more than one bank. Along with that I believe we need to allow banks to have loan production offices in all of their detached facilities.

1200 Main Street
Hays, Kansas 67601
(913) 625-6595

I would appreciate your support in working towards helping Kansas grow and develop. Without the holding company concept and loan production offices we will not be able to compete with all of the money market centers around the United States and will eventually cause many small businesses to dry up.

Sincerely yours,

Roger D. Batson

Roger D. Batson
President

RDB/pen

Hays State Bank

1010 East 27TH Street - Hays, Kansas 67601
1108 Main Street - Telephone (913) 628-8211

July 30, 1982

TO WHOM IT MAY CONCERN:

This letter is to express the sentiment of this Banking institution regarding the proposed Multi-Bank Holding Company law for Kansas.

This Bank is in Favor of the said proposed law and we wish to see Multi-Bank Holding Companies in Kansas.

HAYS STATE BANK

Donald L. Buster

by: Donald L. Buster
President

KSB

The Kansas State Bank In Holton

P.O. Box 229 Holton, Kansas 66436 913/364-2166

July 15, 1982

TO WHOM IT MAY CONCERN:

We are pleased to be a small part of the Kansas for Economic Growth. We are hoping that there will be continued stress in the area of more liberal banking laws in and for the State of Kansas.

We hope that this dues and donations gift will be of value and use in many other important areas.

Respectfully submitted,

Clarence W. Norris

Clarence W. Norris
President

CWN:dg

JUL 16 1982

The Central State Bank HUTCHINSON, KANSAS

CSB

July 15, 1982

To Whom It May Concern ...

The Boards of Directors of Central Kansas Bankshares, Inc. and The Central State Bank of Hutchinson, Kansas, strongly support legislation for bank structure changes. Kansas consumers are continually being deprived of the financial services that they deserve. Restrictive legislation that enhances poor management by a few should be removed.

We support multi-bank holding companies, extended services allowed at facilities and other related legislation that will bring Kansas into a competitive market with the rest of the United States. With this legislation for structure changes, it will allow the freedom of choice of the banking industry in determining how to operate and will stop strangling drainage of deposits from our community to areas with progressive legislation.

Sincerely,

Richard C. French

Richard C. French
President

RCF/mh

CSB NORTH
30TH & TOMAHAWK

MAIN BANK
AVENUE A & WASHINGTON HUTCHINSON, KANSAS 67501
TELEPHONE 316-663-5481 P.O. BOX 1366

CSB EAST
17TH & LORRAINE

THE FIRST NATIONAL BANK OF HUTCHINSON

at Sherman and Main Since 1876

September 17, 1982

When it comes to personal wishes, an independent bank locally owned might be better for a community that an office or branch of a large bank in some distant city.

But on the other hand, why should legislative restraints prevent competition or the local banker from selling to a Multiple Bank Holding Company? Isn't it better to have a bank owned by a Multiple Bank Holding Company than to have it owned by an individual out of town investor, maybe out of state? Isn't it better to let local Kansas bankers whom we know develop a strong Multi-Bank System in the state rather than force bankers who want to sell, to look for the so-called big money to buy them out, rather let them trade their bank for stock in a good state (of Kansas) holding company?

This is still basically a free country, and to me it makes no logic to prevent competition in the banking industry than if we would have had laws protecting the individual corner grocer from the advent of supermarkets.

Adequate capital has always been a problem in Kansas and part of that problem is a banking system that is not allowed to grow in the normal and logical ways that we find in other parts of the country.

Branching and multi-bank holding companies are alright with us and should improve the economic condition in Kansas.

Sincerely,

R. A. Edwards
President and Chief Executive Officer

RAE/alm

Hutchinson National *bank and trust company*

July 30, 1982

TO WHOM IT MAY CONCERN:

I have been a Kansas banker for nearly 13 years. During that time, there have been dramatic changes in the environment in which commercial banks and other financial institutions operate. The only change in Kansas banking structure which has occurred to enable commercial banks to compete more effectively in the changing environment has been the authorization in 1975 of two limited service detached facilities anywhere in the city limits. While this authorization was a giant step for Kansas, it was woefully inadequate in enabling banks to effectively serve their markets and meet the competition from the thrift industry and non-traditional financial institutions which has become so intense in the past several years.

Few, if any, other states have been so slow to recognize the handicaps under which commercial banks have had to operate in a highly competitive marketplace. The savings and loan industry in Kansas has always had branching authority which has given it a dramatically unfair advantage with respect to commercial banks. As if this were not enough, the banks of Kansas must now contend with money market mutual funds, brokerage firms and giant national retailers who are falling all over themselves to get into the "banking" business.

How long must this go on? If Kansas banks are to meet this competition and serve the state as they are obliged and eager to do, there must be substantial changes in state banking structure. The most effective step which the legislature could take would be the authorization of multiple bank holding companies in Kansas. I strongly urge all interested parties in Kansas to ask their legislators to give a progressive change in Kansas banking structure the highest priority in the 1983 legislative session.

Very truly yours,

Scott A. Woods

Scott A. Woods
President

SAW:mbs

ONE POLARIS PLAZA / HUTCHINSON, KANSAS 67501 / P.O. BOX 1488 / (316) 662-0561

Northgate National Bank

September 17, 1982

To Whom It May Concern:

I wish to express my support for multiple-bank holding company legislation. It is imperative that the Kansas financial community keep pace with those nationwide. I feel that we can better do this through the utilization of a multiple-bank holding company structure and would like to see such a structure implemented in Kansas.

The pros and cons of this legislation have been widely discussed, with strong feeling on both sides of the issue. From my own personal experience, I have witnessed the battle in Nebraska to bring about this legislative change and have witnessed the strong debate and the devisivness of the issue. I feel Nebraska would have been better served had the issue been addressed as it is now being addressed in Kansas, and that quick legislative action in Nebraska would have alleviated years of lobbying, time consuming hearings, and would have allowed the financial community to move ahead united, concentrating on those issues which are of great concern to all banks and which require a united banking front to combat them.

So, in conclusion, I would ask that quick, decisive action be taken in favor of multiple-bank holding companys so that Kansas banks can get on with meeting national competition with a united front and with a regulatory environment conducive to increased competition, which in my view is found in the multiple-bank holding company structure.

Sincerely,

Terry L. King
President
Northgate National Bank

TLK:mb

ALLEN COUNTY BANK & TRUST 1 WEST MADISON / IOLA, KANSAS 66749 / (316) 365-6921

J. WILLIAM JAMES
President

July 16, 1982

Mr. William G. Wolff
Kansas Legislative Research Department
Room 545-N, Statehouse
Topeka, Kansas 66612

Dear Mr. Wolff:

We think there is a great need for the review of the Banking structure in Kansas and believe they should be changed by the legislature to allow for the creation and operation of multibank holding companies, allowing statewide branch banking and full banking services to be provided in all detached facilities.

We believe this is necessary to stop the infusion into our industry by the out of state intruders. This would also allow us to be more competitive with the Sears, Merrill Lynch and other money-market managers.

Your consideration of our thoughts will be appreciated.

Very truly yours,

J. William James
President

JWJ:jst

THE FIRST NATIONAL BANK AND TRUST COMPANY OF JUNCTION CITY

September 27, 1982

TO WHOM IT MAY CONCERN:

This is to advise you that this bank, it's ownership and directorate strongly favor multi-bank holding company legislation for Kansas. Our reason for favoring such legislative action is quite simple. In order to provide our customers and all Kansans with the depth of banking activities and modern banking practices that only multi-bank holding companys can provide.

Such legislation will also allow Kansas banks of all size the ability to compete with those banking giants located in adjacent states, who would like nothing better than to be able to compete in the Kansas market place.

It is my sincere hope that all who read this letter will work favorably for this type of legislation.

Sincerely,

Phillip J. Zeller, Jr.
President
and Chief Executive Officer

PJZ,Jr./pld

702 NORTH WASHINGTON STREET, P.O. BOX 348, JUNCTION CITY, KS 66441 913/762-4121

SECURITY NATIONAL BANK
of Kansas City

September 30, 1982

Kansas Legislature Special Committee
on Commercial and Financial Institutions
Topeka, Kansas

Gentlemen:

I recently returned from a week-long trip to Washington,D.C. spent talking to legislators and regulators concerning pending legislation that will effect the financial institutions industry in the state of Kansas. The main piece of legislation is sponsored by Senator Garn (S-2879) and I am sure that most of you are very familiar with this piece of legislation.

The main thrust of this legislation is commercial lending authority for savings and loans throughout the country. This will bolster up their equity position for those S & L's in trouble and will create a competitive instrument to compete with the money funds for both banks and S & L's.

While at first glance this piece of legislation seems appropriate, I think Kansans must be aware that once the savings and loans get the authority to put 15% of their total assets in commercial loans and commercial checking accounts, the savings and loan industry in the state of Kansas will, in effect, have branch banking.

Security National Bank, which has total assets of around $240 million, has a loan portfolio of around $85 million. If Capitol Federal Savings and Loan would get 15% of its total assets in commercial loans, they would have total commercial loans in excess of $200 million, more than twice the commercial loans of Security National Bank.

Another fact which should be brought to light is that Citibank of New York, recently received approval to purchase Fidelity Savings Association in California. Because of the pending legislation, Citibank will be, for all practical purposes, doing banking business in an interstate environment.

Gentlemen, my main point is that unless Kansans do something to protect themselves, our business will be taken away while we sit and worry

ONE SECURITY PLAZA • KANSAS CITY, KANSAS 66117 • PHONE 913-281-3165

about a simple matter of allowing banks to follow their customers and being able to compete fairly and equitably with all of our competitors.

I urge you to give favorable consideration to legislation that would allow the banking system the ability to expand and compete equally with all of our competitors.

Very truly yours,

R. J. Breidenthal, Jr.
President

RJB,Jr.:cs

twin city state bank

43RD AND STATE LINE, KANSAS CITY, KANSAS 66103

OFFICE OF
T. M. HIGGINS, JR.
PRESIDENT

July 26, 1982

Mr. William G. Wolff
Kansas Legislative Research Department
Room 545-N, Statehouse
Topeka, Kansas 66612

RE: Kansas Banking Structure

To Whom It May Concern:

It is a pleasure to be able to give my opinion to the Kansas Legislative Committee and to the Research Department.

I strongly feel that Kansas should have a law permitting the creation and operation of multibank holding companies. Just because the law goes into effect permitting such activities, it certainly does not mean that any bank must join a holding company.

We operate on the state line of Kansas and Missouri, and across on the Missouri side our closest competitors are most all members of some holding company. We find this no detriment to our bank. Our growth has continued and I feel the same thing would be the action in Kansas.

For all practical purposes, there are multibank holding companies in Kansas at the present time by multiple ownership of various banks by the same individual. They keep their accounts at the bank designated by the ower, they have common policies, common purchasing of bonds, common management programs, merely different heads of the local bank.

The advantage of a multibank holding company, which I do not intend to join so long as I am able to operate the bank, appear to me to be primarily in the ability to sell a bank at a reasonable price to the holding company easier than to try and sell it to individuals. The cost of money to individuals is overwhelming at the present time and I look for no drop. The advantages to the customers appear to me to be minor in some cases they will be offered programs which the local ownership bank would not offer, and conversely, the local banks would still have the advantage of knowing the customers, knowing their needs, and being able to satisfy their needs better than a holding company bank which must stick to its written procedural manual, where the local man would be able to bury his thoughts in accordance with the situation.

In regard to your second question, "to allow for statewide branch banking", I am not sure that statewide branching is the proper step to take at the start. I think possibly regional branching should be the first step but you must remember that our competitors have statewide branching and so I suppose I agree that we should have statewide. The present law, which does not allow me to move into Missouri, my across-the-street neighbor, nor to move into Johnson County which is my neighbor three blocks away and where most of my customers live, is very restrictive and a modification certainly is justified at this time. I would suggest a look at the Oklahoma proposals of two branches within 25 miles and two teller facilities. Our competitors may do damn near anything they want to and we're restricted to old-fashioned laws. Pretty much the same thing applies as to the full banking services to be provided in detached auxiliary banking facilities". I do not see any reason why we are restricted when our competitors are not and although I personally believe that there is no need for loan, trust, and safe deposit items be available at the facilities, I do feel the banks should have the right to do so if they desire.

Kansas, operating under its old laws, has put a shackle on the banks for many years and I think it is time that these ties be released and let us compete with our other financial institutions on a "level playing field" which we've tried to get for many years.

Sincerely,

T. M. Higgins, Jr.
President

TMH:tb

September 21, 1982

TO WHOM IT MAY CONCERN:

The First National Bank & Trust Co. in Larned, Kansas, with total assets of forty six million dollars, (considered a small bank by our peer group) would like to go on record as being in favor of the proposed banking structure changes for the state of Kansas. Being in a county of eight thousand people with three commercial banks, two savings and loans, a credit company in our direct vacinity, and money market funds attempting to solicit deposits from our area, we feel the "competition" already has the advantages of branch banking with the ability to expand their geographical territory at their discretion. We feel that if any commercial bank wishes to avail themselves of the same opportunities, they should be entitled to do so.

If further support or comments are needed from our institution by any group, we would invite them to contact us at their leisure.

Best Regards.

Sincerely yours,

B. Kent Moffet

JUL 2 1 1982

Lawrence
National
Bank

July 20, 1982

To Whom it May Concern:

This letter will serve to advise you that our bank believes that the following need to be implemented in the Kansas banking laws:

1. Due to our current banking structure, it is our opinion that legislature should now allow for the creation and operation of multi-bank holding companies. The current banking laws have been sufficient in the past to control banking in the State of Kansas; we now need to broaden our horizons to include the multi-bank holding concept.

2. Current banking structure does not allow for state-wide banking. State-wide branch banking will provide better banking for Kansans and at the same time allow for bankers to compete on an equal or level playing field with other financial institutions.

3. The legislature must also consider and pass legislation to allow for full service banking services at all detached facilities. This action is critical for the continued operation of commercial banks. When credit unions, savings & loans, and other financial entities are operating with absolutely no restrictions as to location of facilities, banks are placed in a non-competitive position.

We certainly hope that these three points can be instituted as soon as possible. If you should have any questions with regard to the above, please do not hesitate to give me a call.

Respectfully yours,

Terry J. Sutcliffe
President

TJS:vmw

P.O. Box 369 · 647 Massachusetts · Lawrence, Kansas 66044 · (913) 841-5555 · Member F.D.I.C.

TheFirst

Lynn L. Anderson
President

July 16, 1982

TO WHOM IT MAY CONCERN:

I am writing to express our bank's support for the concept of multibank holding companies in Kansas. It is our belief that the financial realities of the future require the development of multibank holding companies if the economic health and stability of Kansas and its communities is to be maintained. We therefore urge passage of legislation authorizing the establishment of such holding companies.

Sincerely,

Lynn L. Anderson

Lynn L. Anderson
President

The First National Bank of Lawrence
Ninth & Massachusetts, Lawrence, Kansas 66044 (913) 843-0152

University State Bank

955 Iowa Street,
TERRACE BANK
26th & Iowa
P.O. Box 788
Lawrence, Kansas 66044

July 20, 1982

TO WHOM IT MAY CONCERN:

The last few years commercial banks have seen competition for deposits increase at an unbelievable rate. Not only are there added competitors, but in most instances, they are allowed to pay more interest or offer accounts not allowed for banks. This is only one problem facing our Kansas banks, but that in addition to state laws prohibiting even the maximum usage of our existing buildings for the improvement of service to customers, makes it more difficult to cope with. I believe it is time for the commercial banking structure in Kansas to be thoroughly reviewed and consideration given to restructuring it, allowing us an opportunity, before it is too late, to provide the continued services to our communities. Every effort must be made now to continue the strong commercial banking base we have in Kansas, realizing the on-going changes we will face in competition.

Sincerely,

K. L. Ragland
President

KLR:sp

JUL 16 1982

MSB

AREA CODE 913 TELEPHONE 682-0664

THE MANUFACTURERS STATE BANK

LEAVENWORTH, KANSAS 66048

July 15, 1982

Mr. John Peterson
1206 West 10th Street
Topeka, Kansas 66604

Dear Mr. Peterson:

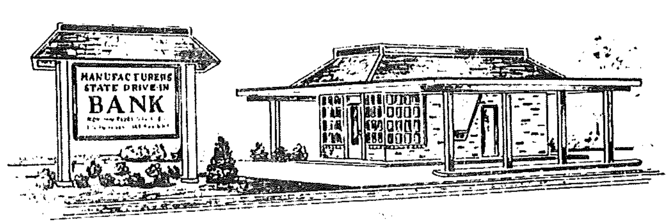
Please accept this letter as verification that The Manufacturers State Bank, Leavenworth, Kansas, supports the change of Kansas Law to allow multi-bank holding companies in this state.

Anything you can do to assist in this change would be greatly appreciated.

Very truly yours,

Norman B. Dawson,
President

NBD/br



JUL 21 1982

The First National Bank

July 16, 1982

To Whom It May Concern:

Regulatory restrictions in Kansas have placed the commercial banking industry in an unfavorable competitive situation. The continuation of such an unfair environment is absolutely without justification!

We are restricted to the point we cannot even offer full service banking in our very limited facilities. Also, our sphere of financial services are extremely limited both in the bank and in one bank holding companies, yet our competition has almost no regulatory handcuffs. We must have ground rules within the financial industry which are equal or the day will come when the traditional community service and economic expansion provided by local banks will not be possible.

Our competition--the Savings and Loan industry--is seriously suffering partially because they have to compete for savings dollars with the mutual fund money market which have absolutely no regulations. The S & L problems exist even though regulations permit them more favorable treatment than banks are given.

Our competition--Mutual Fund Money Markets--are taking billions of dollars out of the regulated financial institutions and yet most banking regulators and public officials don't seem to be concerned! Hopefully, the commercial banking industry will not have to suffer like the Savings and Loan industry before something corrective is accomplished.

Our competition--large out of state banks--are already operating within the borders of Kansas. Many out of state institutions with national reputation are calling on our customers and have loan processing offices within the borders of Kansas.

If Kansas legislators continue to ignore this problem, eventually the federal government might take some action, but even that does not look too likely in the reasonable future. Something must be done! If examples of how this unfair competitive environment is damaging Kansas banks ability to service their communities are desired, I would be pleased to furnish the same.

Sincerely,

Deryl K. Schuster

Deryl K. Schuster
President & Chief Executive Officer

DKS/hs

Box 1217 • Liberal, Kansas 67901 • (316) 624-1971

JUL 22 1982

THE CHANDLER BANK

July 21, 1982

John Peterson, Attorney
1206 West 10th. Street
Topeka, Kansas 66604

Dear Mr. Peterson:

A special committee of the Kansas Legislature is currently considering the need for legislation regarding bank structure in the state of Kansas. I feel that it would be in the best interest of not only the banking industry but the public in general for some long overdue changes to be made.

Of the various alternatives available, I feel that the change by the legislature to allow for creation and operation of multi-bank holding companies would be the most desirable. Having worked in the state of Missouri for a number of years during the time when similar legislation was enacted in that state, I had the opportunity to observe the transition which occurred. I feel that the communities both large and small were much better served under the present arrangement. Independent banks which had no need or desire to enter into a multi-bank holding company remained strong and viable under the multi-bank arrangement. Their situation also improved to the extent that should they desire to sell stock in their bank at a future date a wider range of potential buyers now exists.

The present laws limiting the transactions which can be carried on at facilities is unnecessary and often times burdensome to the banks and the general public. Although this is not a problem in a small community such as ours, I can sympathize with banks in larger communities where it is not always easy or convenient for customers to make a trip to the downtown location in order to transact such a simple matter as making a consumer loan. Other nonbanking institutions are not required to operate under such restrictions and therefore, have a competitive advantage in handling such matters. Consumers are often forced, therefore, to pay higher rates at other institutions for the convenience of handling the transaction near their home.

We are pleased to add our support for the concept of changing bank structure to allow some form of multi-bank holding companies and full banking services to be provided at detached banking facilities.

Very truly yours,

N V Hudelson Jr.

N. V. Hudelson Jr.
President

NVH/jat

(316) 257-2321 P.O. BOX 60 LYONS, KANSAS 67554

F&M State Bank
"TRY OUR BRAND OF SERVICE"
MEMBER
FDIC
MACKSVILLE, KANSAS 67557
316-348-2385

September 27, 1982

C. A. Abercrombie, Chairman
United Bank
Minneapolis, Ks. 67467

To Whom it May Concern:

The management and ownership of the F & M State Bank, Macksville, Kansas would like to go on record as supporting multi-bank holding companies in the State of Kansas. We believe the advantages of multi-bank holding companies for out weight the disadvantages.

This letter represents the thinking of 83% of the ownership of the bank.

Sincerely Yours,

Donald K. Peterson

Donald K. Peterson
President

DKP/bld

DIRECTORS:

The First National Bank of Manhattan

September 27, 1982

To Whom It May Concern:

Reference: Multi-Bank Holding Company Legislation

I favor legislation which would permit the formation of Multi-Bank Holding Company structure in Kansas. The rapidly changing financial environment no longer allows the unit bank concept to be competitive. Without favorable legislation, banks in many Kansas markets will be forced to operate at a competitive disadvantage.

Unfortunately, the current restrictive banking environment in Kansas will have just the opposite of the intended protection. It will place the locally owned and operated institutions in a defensive posture unable to compete effectively on a level playing field. Your cooperation in correcting this imbalance will be greatly appreciated.

Sincerely,

Richard Lashbrook

Richard Lashbrook
President and
Chief Executive Officer

RL/lr

Box 610 / 701 Poyntz Ave. / Manhattan, Kansas 66502 / 913-537-0200

SEP 2 1982

THE FIRST NATIONAL BANK

MEADE, KANSAS 67864

PH. 316-873-2123

September 24, 1982

Mr. John C. Peterson
Hamilton, Peterson, Tipton & Muxlow
1206 West 10th
Topeka, Kansas 66604

To Whom It May Concern:

The directors and officers of this bank support legislations which would allow multi-bank holding companies in Kansas.

We feel this step would be beneficial to our agricultural economy.

Sincerely,

Larry J. Walter

Larry J. Walter
President

LJW:jd

September 24, 1982

TO WHOM IT MAY CONCERN:

The UNITED BANK of Minneapolis, Kansas, is in favor of legislation that would permit multi-bank holding companies and/or branching in Kansas. It is our opinion that this would enable banks to compete on a more equitable basis with thrift and other financial institutions.

Very truly yours,

C. A. Abercrombie

C. A. Abercrombie
President

THE MISSION BANK

Member FDIC

July 19, 1982

Mr. John C. Peterson
1206 West 10th
Topeka, Kansas

Dear Mr. Peterson:

Enclosed is our Bank's check in the amount of $100.00 made payable to Kansas Association for Economic Growth. We have issued this check because we sincerely believe that multi-bank holding companies are good for the State of Kansas. In the '80s, with the continued growth of business, there is a need for formal associations by banks to provide the credit requirements that progressive companies will require. Favorable multi-bank legislation will provide the vehicle for this purpose.

JUL 20 1982

Thank you for your consideration.

Very truly yours,

H. Richard Noon
Executive Vice President

HRN/raw

Enclosure

5201 Johnson Drive, Mission, Kansas 66205 • (913) 831-2400

FIRST STATE Bank

NESS CITY, KANSAS 67560

Sept. 27, 1982

Re: Multiple-bank holding companies

To Whom It May Concern:

It is my judgment that serious consideration should be given by the Kansas Legislature for the removal of statutory restrictions regarding multiple-bank holding companies. I believe that Kansas banks should be free to structure themselves as multiple-bank holding companies if they so choose. I strongly support such a change and urge your approval of this matter.

Respectfully,

Boyd Beutler

Boyd Beutler
President

JUL 21 1982

FIRST BANK OF NEWTON

128 E. BDWY • NEWTON, KANSAS 67114 • (316) 283-2600 • MEMBER FDIC

July 20, 1982

Mr. John Peterson, Attorney
1206 West Tenth Street
Topeka, Kansas 66604

Dear Mr. Peterson:

The purpose of this letter is to voice my support for legislative action that I believe is necessary if Kansas banks are to continue to grow and prosper.

As you know, many of our countries financial institutions are in serious trouble. Takeovers and mergers are becoming commonplace. Although banks and savings and loans are currently prohibited from operating in more than one State by the McFadden Act, many Kansas bankers are concerned that the continuation of the present economic trend will lead to the repeal of this regulation, and ultimately to interstate branch banking. I, too, share this concern. Kansas, as one of the three remaining unit banking states in the United States, is ill prepared to compete with our neighboring multi-bank holding company states, not to overlook Kansas Savings and Loan institutions and Credit Unions who have been establishing statewide banking networks for many years. The prospect of this type competition does not present an attractive scenerio for the future of Kansas Banks.

With these thoughts in mind I urge your support and consideration in favor of multi-bank holding companies in the State of Kansas. As we move further down the road towards deregulation, the maintenance of the unit banking system in Kansas appears to be counterproductive.

Your consideration of the need for legislative changes relative to the structure of Kansas banks is appreciated.

Respectfully,

Don W. Schuneman

Don W. Schuneman
President

Kansas State Bank

606 MAIN • P. O. BOX 387
NEWTON, KANSAS 67114 • (316) 283-3900
KSB AUTO BANK • 1225 MAIN

July 15, 1982

To Whom It May Concern:

I have been in the banking business in Kansas, starting back in 1937, with time out for school and W W II. During this time, I have seen the unit banking system in Kansas thrive and prosper reflecting the economic growth of the State and the nation. Our job as bankers in Kansas was relatively simple during these years because we could buy our deposits at a fixed price and no one but the S & L's could encroach on our market place.

But like all good things, this utopia for our Kansas banks no longer exists. We not only have S & L's in the market place now, but we also have the Merrill Lynchs', and the Sears Roebucks', and the American Express', all competing for our customers' deposits. And in the near future, rate ceilings will no longer be a competitive crutch.

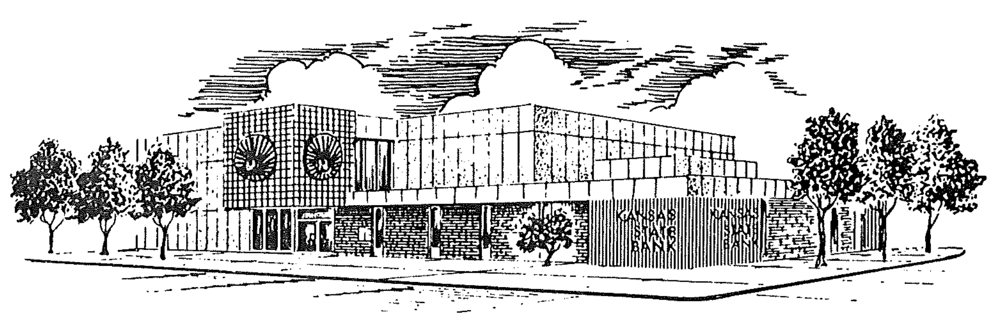
So if the Kansas unit banker finds this environment too challenging, he should have the same advantage to buy, sell, or trade his bank as those unit bankers in most other states. Multi-bank holding company legislation is the answer. I support it because it gives the bankers of Kansas a choice, and if they choose to sell, buy or trade, the multi-bank holding company environment is the best for them.

Sincerely yours,

W. C. Claassen

W. C. Claassen
President

WCC:cs



Miami County National Bank

P. O. BOX 369 • PAOLA, KANSAS 66071 • AREA CODE 913 • TELEPHONE 294-4311

W. C. HARTLEY
PRESIDENT & TRUST OFFICER

September 27, 1982

To Whom It May Concern:

The issue of financial institution structure is of great concern, not only to Kansas banks and banking, but to the public.

The primary reason is that the Kansas economy must be provided with adequate credit, and without the ability of Kansas banks to provide this credit the entire State's economy might be in jeopardy. It is my intention to make a presentation on this subject before the Special Interim Committee on Commercial and Financial Institutions on September 29th.

I do believe the voluntary opportunity for banks to become part of multi-holding companies is a solution to future problems.

Yours very cordially,

W. C. Hartley

WCH:cp

MIAMI COUNTY'S LARGEST BANK

"Worthy of your Trust — Ready to serve you"

FDIC

CAPITAL ACCOUNTS OVER $4,000,000

JOHNSON COUNTY NATIONAL BANK

JOHN F. BARLOW
PRESIDENT

September 24, 1982

To Whom It May Concern:

The purpose of this letter is to express this bank's views on regulation and banking structure.

It is our belief that the public will best be served under a banking system with less regulation. Such a system needs to include multiple-bank holding companies, full-service branch banking, and easier de novo entry into the banking business.

The public is going to be most conveniently served by a structure which provides the greatest number of financial and financially-related services under a single roof. Consolidation of banks is essential if Kansas banks are to afford the substantial investment necessary to provide expanded services to compete with non-bank financial institutions and money center banks.

If regulatory relief is not provided, I can foresee that a good deal of what we term "banking" will eventually be done through automatic teller machines, point of sale terminals, and money market checking accounts which are the vehicles of non-bank financial institutions headquartered in states other than Kansas. We would hope that the Kansas Legislation would prefer to see Kansas institutions develop the capabilities of the future and maintain their markets instead of restricting Kansas institutions to the point that Kansans' money leaves Kansas.

Yours respectfully,

John F. Barlow

pk

Serving Greater Kansas City and Johnson County

Southgate BANK and TRUST COMPANY

SOUTHGATE FINANCIAL CENTER • 7600 STATE LINE • PRAIRIE VILLAGE, KANSAS 66208-0266 • (913) 649-5200

OCT 15 1982

October 4, 1982

In regard to our conversation we are certainly in favor of multibank holding companies in the state of Kansas. It would help the economic growth of the state and also provide many additional banking services to the public.

Sincerely,

J. Wesley St. Clair

J. Wesley St. Clair
Chairman of the Board
and President

JWS/kc

JUL 16 1982

DRAWER N
PRATT KANSAS 67124

FIRST NATIONAL BANK IN PRATT

14 July 1982

To whom it may concern:

This letter is to express my opinion on the matter of the changing of Kansas laws to permit multibank holding company structure of Kansas banks.

The prohibition of multibank holding companies is a restraint of competition to benefit many banks. I believe that the public would be better served by more competition within the banking business and less protective laws that restrain competition.

In other states that permit multibank holding companies or, in some states, branch banking, there is competition between independently owned and operated banks and the banks operated by the multibank holding companies and, in some states, the branch banks. In no state has a multibank holding company structure put the independent banks out of operation, but it has sharpened their competitive skills in offering better service to the public.

It's my opinion that the public would well be served by unlimited multibank holding company structure of banking in Kansas, and that progressive competitive banks would benefit immediately, and those banks that are now relying on the umbrella of the present unit banking structure would find that a change would make them become more competitive and thus serve their communities better.

Sincerely,

George T. Chandler

George T. Chandler
President

GTC/dm

THE SHAWNEE STATE BANK

September 17, 1982

TO WHOM IT MAY CONCERN:

The Shawnee State Bank is very much in favor of legislation that would permit multi-bank holding structures or branch banking so that we may compete on an equal basis with savings and loans and other financial institutions in the state.

Sincerely,

C.H. Pflumm, Jr.
President

Enclosure

11101 JOHNSON DRIVE • SHAWNEE, KANSAS 66203 • PHONE 631-6300

MidAmerican Bank and Trust Company

4700 W. 50th Terrace • Shawnee Mission • Kansas • 66201 • 913 • 384-3450

July 21, 1982

Mr. John Peterson
Attorney at Law
1206 West 10th Street
Topeka, Kansas, 66604

JUL 26 1982

Dear Mr. Peterson:

The MidAmerican Bank supports legislation which would authorize the formation of multi-bank holding companies in the State of Kansas. I have been President and Chief Executive Officer of the MidAmerican Bank and Trust Company for twenty-three years and support the multi-bank holding company legislation as an absolute necessity for a viable economic climate in the State of Kansas.

Washington, D. C. is making decisions regarding the banking industry such as due on sale, override of usury limits and guidelines regarding loans to directors and stockholders. The Monetary Control Act of 1980 legislated deregulation of all financial institutions by March 31, 1986. These are examples of Federal control of the banking system, whether state or national. Congress intends to study the structure of the existing financial system and such a study will include the McFadden Act and the Douglas Amendment. Modification of the Douglas Amendment could allow ownership or branching across state lines in such areas as metropolitan Kansas City. Should this be true, Colorado is a multi-bank state on the west and Missouri is a multi-bank state on the east. Any change in the McFadden Act which would allow multi-bank holding companies to cross the state line into Kansas would indicate that the future of the financial economy of Kansas would be controlled by banks whose holding companies are not residents of the State of Kansas.

The Kansas economy for the future needs to be insured of its independence by legislation which would allow multi-bank holding companies in Kansas and, thereby, preclude the possibility of domination of the Kansas economy by non-resident ownership.

Sincerely,

John J. Sullivan, Jr.

John J. Sullivan, Jr.
President

JJS:rk
enc.

JUL 28 1982

UNITED KANSAS BANK & TRUST

July 27, 1982

TO WHOM IT MAY CONCERN:

As Chairman of the Board of three Kansas banks, Central State Bank, Hutchinson, Kansas; Westgate State Bank, Kansas City, Kansas; and United Kansas Bank & Trust, Merriam, Kansas, I would like to express my concern for the very antiquated banking structure in our great State. It seems more and more evident to me that, if Kansas is going to continue in the future with any competitive banking structure, we must have some new laws authorizing multi-bank holding companies.

We must face up to the realism of competition which is rapidly engulfing Kansas by the national banking organization, by other multi-bank holding company states, and by the savings and loan industry, not to mention all of the other non-banking competitors that are rapidly gaining ground in banking services.

Unless we are willing to make drastic changes in our banking structure, I see no way that Kansas will be able to meet competition and have any kind of home-based banking structure. We will surely be consumed by competition, not only interstate but intrastate.

I for one believe that this matter is of urgent importance and must be addressed by our Kansas State Legislature.

Sincerely,

Clarence A. Wilson

Clarence A. Wilson

CAW:eg

8600 West 63rd / P.O. Box 638 / Shawnee Mission, Kansas 66201 / (913) 362-5500

MEMBER FDIC

VALLEY VIEW
state BANK

July 19, 1982

RE: KANSAS BANK STRUCTURE

JUL 20 1982

To Whom It May Concern:

This bank firmly believes that the structure of Kansas Banking has contributed megatively to the growth of the state for years. Our states largest bank is small by comparison with other states. Our total number of independently chartered banks ranks among the highest of any state. There is, as a result, no concentration of capital powerful enough to be a financial force that can compete with Kansas City, Missouri, St. Louis, Denver, etc.

Those who advocate retaining the total independent bank environment will wave the flag, speak of apple pie, motherhood, and chevrolets...and that's just what we've got.

We obviously support a liberalization of the growth stifling structure of Kansas banking, and we believe the Multi-Bank Holding Company approach to be valid. It allows the consolidation of capital and effort where it is desired, and it allows a committed independent bank to maintain its' position as long as it wants to.

John C. Hofmann
President

7500 West 95th Street Overland Park, Kansas 66212
(913) 381-3311
Mailing Address —
Box 2924 Shawnee Mission, Kansas 66201

FRED A. DUNMIRE, PRESIDENT
NEAL JANICKE, EXECUTIVE VICE PRESIDENT AND CASHIER

BILL JONES, VICE PRESIDENT
ROBERT M. LARK, ASSISTANT VICE PRESIDENT

The State Bank of Spring Hill

Spring Hill, Kansas 66083

September 29, 1982

To Whom It May Concern:

Our bank is pleased to support the Kansas Association for Economic Growth and enclose our check for $100 dues. We feel that a multi-bank holding company structure would provide the Kansas economy with the best form of complete financial services to consumers, farmers and industry in Kansas.

Sincerely,

Fred Dunmire

Fred A Dunmire
President
FAD:s

SEP 27 1982

The HASKELL COUNTY State Bank

SUBLETTE, KANSAS 67877

PAUL O. MASONER
PRESIDENT

September 24, 1982

Mr. John C. Peterson
1206 West 10th
Topeka, Kansas 66604

To Whom It May Concern:

The directors and officers of this bank support legislation which will allow multi-bank holding companies in Kansas. We feel this step would be beneficial to our agricultural economy.

Sincerely,

Paul O. Masoner

Paul O. Masoner

wk

SEP 27 1982

THE VALLEY STATE BANK

SYRACUSE, KANSAS

September 24, 1982

Mr. John C. Peterson
Hamilton, Peterson, Tipton, & Muxlow
1206 W. 10th St.
Topeka,Kansas 66604

To Whom It May Concern:

The Directors and Officers of this bank support legislation, which would allow multibank holding Companies in Kansas. We feel this step would be beneficial to our agricultural economy.

Sincerely,

Timothy C. Kohart

Timothy C. Kohart
Senior Vice-President

VALLEY STATE BANK

THE TIMKEN STATE BANK

TIMKEN, KANSAS 67582
(913) 355-2210

J. A. MERMIS, JR.
President
DAN REHA
Exec. Vice Pres.
& Cashier

CECIL BURTON
Vice President
DALE ENGLEMAN
Secretary
GEORGE FIALA
Asst. Cashier

September 21, 1982

Members of the Commercial Financial Institution Committee
Statehouse
Topeka, Kansas 66612

Gentlemen:

Fifteen years ago I and my associate purchased The Timken State Bank, Timken, Kansas. At that time the total resources were $750,000. The total resources now of The Timken State Bank are roughly $5,700,000.

Since there is a close relationship of Security State Bank, Great Bend, to The Timken State Bank, through ownership, I can assure the committee that it is a great asset for this small community and small bank, which is about thirty miles West of Great Bend. It has given all the credit farmers and other people need in that area without them having to go out of state since Security State Bank will participate with The Timken State Bank on large loans. This is a typical example of how Multi-Bank Holding Company would affect banking in Kansas if the law was changed to permit Multi-bank Holding Company.

I, as one of the owners of this bank, would certainly be in favor of Multi-bank Holding Company and would hope that the committee could favorably recommend a change in the law.

With kind regards, I am

Sincerely,

J. A. Mermis, Jr.
President

JAM:bs

JUL 20 1982

The Fidelity Banks
Members FDIC

July 19, 1982

Mr. John Peterson, Attorney
1206 West 10th STreet
Topeka, Kansas 66604

Dear Mr. Peterson:

We are pleased that the Kansas Legislature is considering the need for legislation changing bank structure because we feel this is needed in Kansas. Of the fifty states, only Kansas, Nebraska, and Oklahoma do not offer some form of multibank holding company or loans at the facility permission. In our opinion both of these changes are necessary and should be adopted for these reasons.

1. The needs of the public will be better served by allowing loans at facilities which are open forty-eight hours per week, 9:00 a.m. to 6:00 p.m. Monday through Friday, and 9:00 a.m. to noon on Saturday, while the main bank is only open twenty-five hours per week, 10:00 a.m. to 3:00 p.m. Monday through Friday, and closed on Saturday. The locations of the four facilities are located geographically over the City of Topeka where they are easily accessable to the public. It is a hardship on our depositors to expect them to take time off from work to come downtown to the main bank to borrow money, when they could do the loan business with our facilities on Saturday or after work at no personal sacrifice to them.

2. At present our holding company could form a finance company subsidiary to originate consumer loans at our facilities and sell them to the bank. Other Kansas banks have done this, but it is a cumbersome way to do business. We feel that this way is a needless layer of corporate structure and expense of record keeping. Competing financial institutions such as savings and loan associations and credit unions can offer full service branching statewide, and the bank depositors are discriminated against.

3. Multibank holding companies would allow additional credit availability statewide since banks in holding companies can sell participation loan certificates to the holding company or other banks in the holding company. In adjoining Missouri and Colorado where multibank holding companies are allowed, this has worked well. This would allow areas of the state that have strong credit demands to obtain funds from areas that do not have loan demand but have excess funds available from deposits. While the correspondent banks do provide a source of overline loans, correspondent banks do properly require a compensating balance from the originating bank, which must be passed on to the borrower either in interest rate or deposit balance or both.

4. Great pressure is being placed on bank profitability by deposit drain from competing financial institutions such as money market mutual funds and Sears, et cetera, with the drain in deposits, some bank owners may decide to sell their bank. It may be that in some small communities no local buyer can be found. Multibank holding companies can provide a buyer for the bank that can keep the bank open in the community. This would be much better than leaving the community without a bank.

We hope you will recommend both multibank holding companies and loans at facilities be approved.

Very truly yours,

E. L. Henderson, Jr.
Executive Vice President

First National Bank

ONE TOWNSITE PLAZA • BOX 88 • TOPEKA, KANSAS 66601 • 913-295-3400

THOMAS R. CLEVENGER
PRESIDENT

September 27, 1982

To Whom It May Concern:

The First National Bank of Topeka supports legislation to permit multi-bank holding companies in Kansas.

Sincerely,

Thomas R. Clevenger
President

TRC:sr

Highland Park Bank & Trust
MEMBER FDIC

P. O. BOX 5228 ■ 2100 S. E. 29TH STREET, TOPEKA, KANSAS 66605 ■ MIDTOWN BANK, 10TH & MULVANE ■ 913/266-8521

LANNY J. KIMBROUGH, PRESIDENT

July 15, 1982

To Whom It May Concern:

This bank very strongly supports favorable consideration in the legislature for a more liberalized banking structure in Kansas, more specifically in the area of multi-bank holding companies. We believe that a change in structure in Kansas is necessary if we are to preserve a banking climate which will enable us to compete with other financial institutions.

I trust that the discussion of banking structure will be held with an open mind on behalf of the legislators and that their opinions will not be swayed by such time worn and meaningless phrases as "Cartel Banking", "big fish gobbling little fish", etc. This type of archaic thinking has held modern banking back in Kansas for many years, and it is time that our legislators react favorably to reasonable arguments for structure change.

Sincerely,

HIGHLAND PARK BANK AND TRUST

Lanny Kimbrough

Lanny J. Kimbrough
President

LK:me

THE MERCHANTS NATIONAL BANK OF TOPEKA
MAILING ADDRESS: BOX 178, TOPEKA, KANSAS 66601
TELEPHONE (913) 233-2662

DONN N. SPENCER
CHAIRMAN & CHIEF EXECUTIVE OFFICER

July 19, 1982

TO WHOM IT MAY CONCERN:

This letter is written to comment on the multi-bank holding company concept presently being investigated by the Special Committee on Commercial and Financial Institutions.

The Merchants National Bank strongly supports legislation that would allow the formation and operation of a multi-bank holding company. Among the many reasons that favor this position are:

- Provides the opportunity to grow and prosper.

- Better able to compete with larger out-of-state banks.

- Better able to compete with non-financial institutions providing retail banking services; i.e., Sears, American Express, etc.

- Consumers and businesses are better served with multiple locations.

- Better able to compete with Federal Savings & Loan Associations which are allowed to branch statewide.

- Makes for stronger Kansas Banks when interstate banking becomes a reality.

- Provides an option for banks desiring or needing to sell.

Kansas is one of only three states that prohibits multi-bank holding companies and/or some degree of branch banking, yet individuals have the ability to own multiple banks. Banks have grown and prospered while serving their markets well in the other 47 states. There is no reason to believe that the experience would be any different here.

Sincerely,

Donn N. Spencer

Donn N. Spencer

DNS/ls

North Plaza
State Bank

July 16, 1982

TO WHOM IT MAY CONCERN:

I am an independent Kansas banker. I am losing the race with Chase Manhattan, Sears & Roebuck and Paine-Webber, not to mention savings & loans, credit unions and thrifts. Bankers in Kansas must be competitive in todays market as well as in the future.

A single unit bank cannot provide the management, manpower or expertise to maintain the service that all Kansans should expect. United through the organization of a multi-bank holding company will provide the consolidation of leadership that will enhance the quality and competition that Kansas bankers must have. If the future of Kansas banking is to survive with the giants in our own neighborhood, we must have a multi-bank environment to compete.

Yours truly,

Richard B. Campbell

Richard B. Campbell
President

RBC:VJW

2014 North Topeka Avenue • Topeka, Kansas 66608 • (913) 235-0001
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

TREGO - WAKEENEY STATE BANK

PHONE 913 743-2104 WAKEENEY, KANSAS 67672

September 24, 1982

John C. Peterson
Hamilton - Peterson - Tipton & Muxlow
1206 W. 10th
Topeka, Kansas 66204

To Whom It May Concern:

The Directors and Officers of this Bank support legislation which whould allow Multi-Bank Holding Companies in Kansas. We feel this step would be beneficial to our agricultural economy.

Sincerely,

Ronald J. Sweat
President

RJS/jm

FNB

First National Bank

WETMORE, KANSAS 66550

JOHN E. MORRISSEY, PRESIDENT

July 15, 1982

To Whom It May Concern:

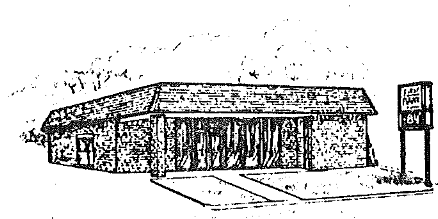
The First National Bank of Wetmore strongly supports legislative action toward more modern and less restrictive banking legislation dealing with multi-bank holding companies.

It is our belief that multi-bank holding companies will strengthen the economic base of Kansas and allow Kansas Banks to more effectively compete with other financial institutions.

Sincerely

John E. Morrissey

John E. Morrissey



BOULEVARD STATE BANK

ROBERT V. McGRATH
PRESIDENT

2300 EAST LINCOLN
WICHITA, KANSAS 67211 • 316 261-5500

July 19, 1982

To Whom It May Concern:

The purpose of this letter is to formally declare our bank's position regarding the liberalization of banking laws in Kansas. We strongly support the concept of multi-bank holding companies and/or interstate banking as a positive and realistic step for our state.

Unfortunately, many of our legislators have been led to believe that only large commercial banks support this concept on the theory that "the large will proceed to swallow the little." Our bank - less than $100,000,000 - can be classified, at best, as mid-sized. We view the adoption of either of the above-mentioned concepts as vehicles to provide expanded markets for all Kansans. It is a well-established fact of life that many of the largest banks in the United States now operate freely in our state as Production Offices and the like, thus providing the opportunity for Kansas commerce and industry to satisfy their financial needs elsewhere. Shackled by restrictive laws and regulations, our banks, both large and small, cannot possibly compete and thus we are experiencing a continuing erosion of our business by out-of-state entities.

It is my hope that our legislators can and will accept the idea that there is not now, nor ever has been, any stigma attached to size, either large or small. We urge our lawmakers to give each bank the freedom of choice inherent to this state and the nation. The interest of all Kansas, banking and non-banking, will be better served.

Very truly yours,

Robert V. McGrath
President

RVM/pst

JUL 16 1982

CENTRAL BANK & TRUST
3433 E. Central / P.O. Box 2 / Wichita, Kansas 67201 / 316-686-7111

ROBERT DOOL
PRESIDENT

July 14, 1982

TO WHOM IT MAY CONCERN:

Please accept this letter for the record that our bank supports legislation permitting multi-bank holding companies in Kansas. In a changing and increasingly competitive environment, we believe that the pooling of management and capital resources in the banking industry will benefit the economy of our state.

Sincerely,

Robert Dool

Robert Dool
President

RD/jp

Chisholm Trail State Bank
6160 NORTH BROADWAY WICHITA, KANSAS 67219
(316) 744-1293

September 20, 1982

To Whom It May Concern:

As a banker interested in fair and equal treatment of Kansas banks, I am strongly in favor of Kansas developing multi-bank holding company legislation.

Kansas banks have been held back too long in our efforts to be competitive with other financial and non-financial institutions. While banks are held back by antiquated banking laws, our competition is allowed to expand services and locations almost at will. Therefore, multi-bank holding company legislation would be a step in the right direction to assist banks to be competitive in todays deregulated environment.

Yours truly,

R. O. Noller

R. O. Noller
President

RON:mm

First National Bank in Wichita

JUL 20 1982

C. Q. Chandler
President and
Chairman of the Board

Box One
Wichita, Kansas 67201
Phone 316 268-1111

FIRST NATIONAL BANK

July 19, 1982

TO WHOM IT MAY CONCERN:

First National Bank in Wichita supports the change being considered in Kansas law which would remove the prohibition of multibank holding companies. In our opinion, such a change would be to the benefit of the banking industry and to the public, in that it would allow more competitive and professional banking services to be made available.

We see no reason to think that independent banking would suffer as a result of this change and, in fact, believe that it would prosper thereby.

Sincerely yours,

President and Chairman of the Board

CQC:mjb

THE FOURTH NATIONAL BANK
AND TRUST COMPANY, WICHITA
WICHITA, KANSAS

JORDAN L. HAINES
PRESIDENT

September 24, 1982

To Whom It May Concern:

The Directors and management of the Fourth National Bank and Trust Company, Wichita, firmly believe that it is imperative to the future economic growth of Kansas that the Legislature permit multi-bank holding companies.

We urge the Legislature to take the necessary steps to provide this opportunity.

Most sincerely,

Jordan L. Haines

the Bank
KANSAS STATE BANK AND TRUST COMPANY
123 NORTH MARKET/WICHITA, KANSAS 67202/(316) 266-6600

JUL 15 1982

J. V. LENTELL
PRESIDENT &
CHAIRMAN OF THE BOARD

July 14, 1982

TO WHOM IT MAY CONCERN

The purpose of this letter is to state the position of this Bank and myself favoring legislation allowing multi-bank holding companies in Kansas.

It is imperative that the economy of Kansas be given the benefit of the increased capabilities of all banks when such legislation is enacted.

Your positive consideration in this matter will be appreciated.

JV Lentell

J.V. Lentell

JVL:sg

UNION NATIONAL BANK MAIN AT FIRST • WICHITA, KANSAS 67202 • PHONE (316) 261-4700

MICHAEL T. FLEMING
PRESIDENT

September 24, 1982

Mr. John C. Peterson
Kansas Association for
Economic Growth
1206 West 10th
Topeka, Kansas 66604

Dear John:

This is to inform you and whoever else it may concern, that Union National Bank is not only a member in good standing of the Kansas Association for Economic Growth, but, is also favorable to multi-bank holding legislation in the state of Kansas.

We feel that such legislation would be of immense economic benefit to the state of Kansas and to the banking industry.

Yours sincerely,

Michael T. Fleming

Michael T. Fleming

MTF/at

United American Bank & Trust Company

July 16, 1982

To Whom It May Concern:

The management of this bank is convinced that the State of Kansas is in urgent need of enabling legislation for multi-bank holding companies. Kansas is not an island. The banking environment is beyond the exclusive control of the citizens of this state.

Banks headquartered in the nation's money centers are accepting deposits at unregulated interest rates and making loans of all types in Wichita in competition with the community banks. To name a few, Security Pacific Bank of Los Angeles, Bank of America, San Francisco, and Manufacturers Hanover of New York are actively engaged in the business of banking here through their so-called "finance" companies. The state's savings and loan associations meanwhile have been granted by Congress nearly all the powers of commercial banks with very few of its restrictions.

Kansas banks are committed to Kansas people and the Kansas economy. Competition is good for all business in a free society. We need at least a level place to compete.

The worthy opposition in this state resists every structure other than strict unit banking which served well in a different time. In response to every suggestion for innovation, their favorite phrase is, "Foot in the door". I submit that they have been watching both the wrong foot and the wrong door.

Sincerely,

Marvin Seitz

Marvin Seitz
President

Telephone (316) 262-5111 / P. O. Box 970 / Wichita, Kansas 67201 / Member FDIC

WICHITA STATE BANK

July 20, 1982

To Whom It May Concern:

I want to take this opportunity to voice my support of legislation which would enable banks in Kansas to form Multi-Bank Holding Companies.

Competition has changed a great deal in the last few years. Not only are we competing against locally owned Finance Companies and Savings and Loans; but with Sears, Merril Lynch, interstate ownership of Banks and Savings and Loans, and many other forms of deposit gathering institutions.

I hope you will give Kansas Banks a better tool with which to compete. While, idealistically, we may all be unit bankers, practically, we can no longer effectively compete in the current environment.

Sincerely,

M D Michaelis

M. D. Michaelis
President

MDM/nb

711 West Douglas
P.O. Box 634
Wichita, Kansas 67201

711 West Douglas
R. H. Garvey Building
2433 South Seneca

Farmers STATE BANK

ROBERT H. KURFISS
PRESIDENT

PHONE 316-465-2267 / YODER, KANSAS 67585

September 24, 1982

Mr. John C. Peterson, Attorney
Hamilton, Peterson, Tipton & Muxlow
1206 W. 10th
Topeka, Kansas 66604

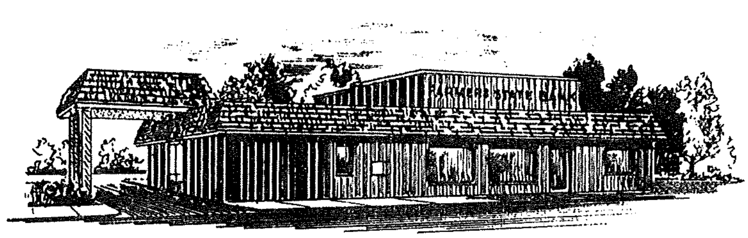
WHOM IT MAY CONCERN:

Directors and officers of this bank support legislation which would allow multi-bank holding companies in Kansas. We feel this step would be beneficial to our agricultural economy.

Respectfully,

Robert H. Kurfiss,
President

RHK:cc



ALLEN COUNTY BANK & TRUST 1 WEST MADISON / IOLA, KANSAS 66749 / (316) 365-6921

J. WILLIAM JAMES
President

February 8, 1983

To Whom It May Concern:

We are writing to comment on the multi-bank holding companies now being investigated by the Special Committee on Commercial and Financial Institutions.

The Allen County Bank & Trust supports legislation to allow the formation and operating of multi-bank holding companies. Listed below are several reasons for our support:

Gives banks an opportunity to grow and prosper.

To be able to compete with larger out-of-state banks, and Federal Savings & Loan Associations which are allowed statewide branching.

Better able to compete with non-financial institutions providing retail banking services such as American Express, etc.

Multiple locations would let the banks serve the consumers and businesses in a better fashion.

Kansas Banks would be much stronger with interstate banking.

The most effective step which the legislature could take would be to authorize multi-bank holding companies in Kansas.

Very truly yours,

J. William James

J. William James
President

JWJ:jst

CALDWELL STATE BANK
P.O. BOX 153 • CALDWELL, KANSAS 67022 • PHONE (316) 845-6444
John T. Stewart, III, Chairman of the Board • Herman Glisson, President

February 1, 1983

Kansas Association for Economic Growth
Merchants National Bank Tower
Suite 818
Topeka, KS. 66612

To Whom It May Concern:

I would like to express my support for the passage of bill HB 2001. This bill will permit multi-bank holding companies in Kansas. Most importantly, it will allow Kansas bankers to choose the type of ownership that best suit their own communities and shareholders.

While serving as a National Bank Examiner in Missouri for more than four years, I was able to see the benefits that Missouri bankers enjoyed in choosing the type of ownership best suiting their individual situations. Not only is there a better market for selling banks, but banks with poor management, inadequate capital, or asset problems are ofter rescued by selling to a multi-bank holding company. Adversely, Missouri has many well-managed, independently owned banks that are quite capable of competing with the holding company institutions.

My years of experience in Missouri left me with a strong conviction that well-managed banks in Kansas will prevail no matter who owns them. However, the passage of this legislation will give us another choice for good management that neighboring states now enjoy. We must have this added choice of ownership in order to enhance economic growth opportunities in Kansas. Moreover, Kansas bankers would have another avenue with which to cope with the many other financial institutions and corporations which are unfairly competing in our state.

Sincerely yours,

Philip T. Perry

Philip T. Perry
Executive Vice President

cc: Honorable Robert Miller

WICHITA STATE BANK

February 7, 1983

To Whom It May Concern:

This letter is written concerning HB-2001. Wichita State Bank strongly supports legislation which would allow banks in Kansas to opperate in a multi-bank holding company environment. Here are just a few of the reasons why we support multi-bank holding company legislation:

1) Consumers and businesses would be better served with multiple locations city, county and state-wide.

2) We would be better able to compete with non-financial institutions providing retail banking services; i.e., Sears, American Express, etc.

3) Banks would be better able to compete with Savings and Loan Associations which are allowed to branch statewide.

Kansas is one of only three states that prohibits multi-bank holding companies and/or some degree of branch banking. Banks are serving their markets well in the other 47 states. There is no reason to believe that the experience would be any different here in Kansas.

Sincerely,

M. D. Michaelis

M. D. Michaelis
President

MDM/nb

WSB

711 West Douglas
P.O. Box 634
Wichita, Kansas 67201

711 West Douglas
R. H. Garvey Building
2433 South Seneca

AUGUSTA BANK & TRUST

Augusta, Kansas

January 17, 1983

To Whom It May Concern:

Please be advised that Augusta Bank & Trust is an advocate of Multi-Bank Holding Company.

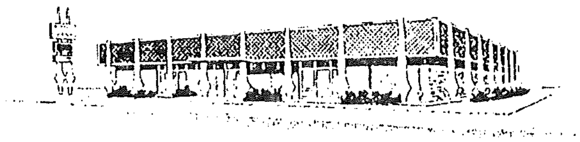
Sincerely,

Rod Ziegler
President

RZ:jh

P. O. BOX 400 — AUGUSTA, KANSAS 67010
TELEPHONE 775-2227 AREA CODE 316

ABT



RUSSELL STATE BANK

ESTABLISHED IN 1889 TRUST POWERS SINCE 1931

CAPITAL $1,000,000.00 SURPLUS $1,000,000.00

P. O. BOX 713 TELEPHONE 913-483-3123

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

RUSSELL, KANSAS 67665

JOHN F. MILLS

January 14, 1983

TO WHOM IT MAY CONCERN:

I wish to take this opportunity to add the voice of Russell State Bank, Russell, Kansas, to the list of those banks supporting the multi-bank holding company legislative movement in Kansas.

By supporting this legislation, we will strengthen the overall financial climate in Kansas.

Thank you for your consideration.

Sincerely yours,

John F. Mills

John F. Mills
Senior Vice President

JFM:be

East Side Bank & Trust
7701 East Kellogg
P. O. Box 18329
Wichita, Kansas 67218
(316) 685-0311

Dale Wheeler
President

January 17, 1983

TO WHOM IT MAY CONCERN:

East Side Bank and Trust supports legislation that would allow multi-bank holding companies in the state of Kansas.

Sincerely,

A. Dale Wheeler
President

ADW/dw

MR. CHAIRMAN & MEMBERS OF THE COMMITTEE:

I AM PLEASED TO BE ABLE TO BE WITH YOU TODAY AND POSSIBLY ADD SOME INSIGHT TO YOUR DELIBERATIONS ON THIS VERY IMPORTANT BILL.

MY NAME IS JEFF HOLMES. I AM CURRENTLY PRESIDENT, AS WELL AS A MAJORITY STOCKHOLDER, IN BOTH THE RILEY STATE BANK AND THE 1ST NATIONAL BANK OF WHITE CITY, KANSAS. I AM ALSO PRESIDENT OF SUNFLOWER BANCSHARES, INC., AND H & H BANCSHARES, INC.--BOTH ONE BANK HOLDING COMPANIES WHICH CONTROL THE RESPECTIVE BANKS. MY FAMILY HAS BEEN ASSOCIATED WITH THE RILEY STATE BANK SINCE ITS CHARTER WAS APPROVED IN 1943. IN THOSE 40 YEARS, THE BANK HAS GROWN FROM TOTAL ASSETS OF $32,500 TO TOTAL ASSETS OF OVER $16 MILLION YESTERDAY.

IN JANUARY 1982, I PURCHASED A CONTROLLING INTEREST IN THE 1ST NATIONAL BANK OF WHITE CITY, AND ON MARCH 6, OUR CHANGE OF CONTROL WAS APPROVED. THE COST FOR THIS WAS APPROXIMATELY $2,000 AND ABOUT 50 HOURS OF MY TIME. WE THEN PROCEEDED THROUGH THE STEPS OF FORMING A HOLDING COMPANY, AND IT WAS APPROVED DURING NOVEMBER 1982. THE COST WAS $10,243 AND AGAIN--SOME 50 HOURS OF MY TIME. AS YOU CAN SEE, YOU ALREADY HAVE FOR ALL PRACTICAL PURPOSES A MULTI-BANK HOLDING COMPANY WITH MYSELF CONTROLLING OVER 90% OF 2 BANKS. THE ONLY THING THE CURRENT LAW HAS DONE IS TO COST MYSELF AND MY RESPECTIVE BANKS A LOT OF EXPENSE--ALMOST $12,000 PLUS 50 HOURS OF TIME, AND THAT DOES NOT

TAKE INTO ACCOUNT THE IMMENSE EXTRA TIME WE WILL SPEND IN THE FUTURE MAKING 2 SETS OF REPORTS EVERY YEAR AND FILING THEM WITH THE PROPER REGULATORY AGENCIES.

I KEEP HEARING FROM PEOPLE WHO ARE AGAINST THIS ISSUE THAT THERE WILL END UP BEING A VERY FEW LARGE MULTI-BANK HOLDING COMPANIES OPERATING IN THIS STATE. I AM SURE THAT IF YOU WERE TO RESEARCH THIS THAT THERE IS ALREADY IN EXCESS OF 25 GROUPS OF PEOPLE WHO CONTROL MORE THAN 1 BANK IN KANSAS. THERE ALSO SEEMS TO BE SOME RATHER STRONG STATEMENTS MADE THAT ONCE A HOLDING COMPANY GETS AHOLD OF A BANK, THEY WILL REMOVE ALL THE DECISION MAKING FROM THE LOCAL PEOPLE, AS WELL AS THE PROFITS, AND MOVE IT TO THE HOME OFFICE.

IF YOU WILL REFER TO EXHIBIT A IN THE BACK OF THE PACKET, YOU CAN FOLLOW MY NEXT FEW REMARKS. IN THE 10 MONTHS THAT WE HAVE HAD THE 1ST NATIONAL BANK OF WHITE CITY, WE HAVE INCREASED TOTAL ASSETS FROM $6.9 MILLION ON 12-31-81 TO $8.9 MILLION ON 12-31-82. IN THAT SAME PERIOD OF TIME, LOANS INCREASED FROM $306,000 TO $4,250,000, AND DEPOSITS WERE UP FROM $6.3 MILLION TO $7.8 MILLION. I HAVE NOT TAKEN ANY MONEY OUT OF THE BANK AND DO NOT FORESEE DOING SO IN THE FUTURE.

THE CITIZENS OF WHITE CITY AND THE SURROUNDING AREA THINK THAT WE ARE ABOUT THE BEST THING THAT HAS HAPPENED TO WHITE CITY IN 20 YEARS, AND I AM SURE THAT IF YOU WERE RECEPTIVE, WE COULD GET ALMOST EVERY PERSON IN WHITE CITY TO COME AND TELL YOU THE IMPROVEMENTS WE HAVE INSTIGATED TO HELP THE TOWN.

THE OTHER TWO MAJOR CONCERNS THAT I HAVE IS THE ABILITY TO CONTINUE TO SERVE OUR MOST IMPORTANT CUSTOMER--THE FARMERS AND RANCHERS OF KANSAS. IN 1973, WHEN I RETURNED TO THE BANK IN RILEY, OUR LOAN LIMIT WAS $38,250 AND WE WERE A $4 MILLION BANK. YESTERDAY, OUR BANKS COULD LOAN UP TO $500,000, COLLECTIVELY, TO ONE CUSTOMER AND THE SAD THING IS THAT THIS IS NOT ENOUGH TO KEEP SOME OF OUR BETTER AG CUSTOMERS GOING. THE ONLY ANSWER TO THIS IS THE ABILITY OF SEVERAL SMALL BANKS TO BE ABLE TO BOND THEMSELVES TOGETHER TO ACHIEVE THE ASSETS AND LOAN LIMITS TO SERVE THESE LARGE CUSTOMERS. I DO NOT HAVE UNLIMITED PERSONAL RESOURCES AND MY ABILITY TO BOND TOGETHER WITH OTHER BANKS IS LIMITED. MULTI-BANK HOLDING COMPANY STRUCTURE WOULD ALLOW THE BANKS INVOLVED TO USE THEIR CAPITAL TO ACHIEVE THE DESIRED RESULT OF STRENGTHENING OUR BANKS TO BETTER MEET THE NEEDS OF OUR CUSTOMERS AND COMMUNITIES.

SECONDLY, WHAT YOU HAVE CURRENTLY DONE IS MAKE BANKING A GAME FOR THE RICH WITH YOUR CURRENT LAWS. THE BIG BANKS AND THOSE PEOPLE WITH LARGE NET WORTHS--BY THIS I MEAN SEVERAL MILLION--HAVE THE MONETARY ABILITY TO SKIRT THE LAW, LEGALLY, IN ORDER TO PUT TOGETHER BANKS USING SPECIFICALLY THE 24.9% INVESTMENT ROUTE. PEOPLE SUCH AS MYSELF CAN'T DO THIS JUST BECAUSE OF THE MONETARY CAPITAL REQUIRED TO DO THIS. EVEN WORSE, YOU ARE PROVIDING AN OPPORTUNITY TO WEALTHY INVESTORS IN KANSAS AND SURROUNDING STATES TO BUY CHAINS OF KANSAS BANKS AND THOSE OF US WHO ARE INVOLVED IN AND CARE DEEPLY ABOUT KANSAS BANKING ARE NOT ALLOWED TO DO THE SAME BECAUSE WE ARE NOT "RICH ENOUGH" TO GET INTO THE GAME.

LADIES AND GENTLEMEN, THE BENEFITS THAT HAVE BEEN DERIVED BY THE CITIZENS OF WHITE CITY ARE AN INDICATION OF WHAT MULTI-BANK HOLDING COMPANY LEGISLATION WILL DO FOR THE PEOPLE OF KANSAS. I THINK THERE IS ONLY ONE CONCLUSION THAT YOUR COMMITTEE CAN COME TO, ESPECIALLY GIVEN THE FACT THAT THE ONLY THING THE CURRENT LAW HAS DONE IS CAUSE MYSELF AND MY BANKS TO SPEND BETWEEN $10,000 AND $20,000 THAT COULD HAVE BEEN PUT TO BETTER USE IN IMPROVING OUR BANKS, OUR COMMUNITIES, AND THE SERVICES WE PROVIDE TO THESE PEOPLE, AND THAT WOULD BE TO PASS THIS BILL OUT OF COMMITTEE TO THE FLOOR OF THE HOUSE FOR YOUR PEER'S CONSIDERATION.

I WANT TO AGAIN THANK YOU FOR ALLOWING ME TO APPEAR BEFORE YOU ON THIS VERY IMPORTANT ISSUE, AND IF YOU HAVE ANY QUESTIONS, I WOULD BE HONORED TO TRY TO ANSWER THEM FOR YOU.

E X H I B I T A

NAME AND ADDRESS OF BANK

CALL NO. 142 21 12-31-82

04798 11 20-5980

THE FIRST NATIONAL BANK OF WHITE CIT
Y
P.O. BOX 158
WHITE CITY, KS 66872

OMB No. for FDIC 3064-0052
Expiration Date 7/31/84
OMB No. for OCC 1557-0081
Expiration Date 9/30/84

CONSOLIDATED REPORT OF CONDITION (COMMERCIAL BANK)

(Domestic—Small)(Including Domestic Subsidiaries)
(Dollar Amounts in Thousands)

ALL BANKS: RETURN ORIGINAL ONLY TO FDIC, REPORTS ANALYSIS AND PROCESSING UNIT, 550 17th STREET, N.W., WASH., D.C. 20429
NATIONAL BANKS: ALSO SEND ONE COPY TO THE APPROPRIATE REGIONAL ADMINISTRATOR AND FEDERAL RESERVE DISTRICT BANK (Please read carefully instructions for the preparation of Reports of Condition)

CLOSE OF BUSINESS DATE
December 31, 1982

Every item and schedule must be filled in. Printed items must not be amended. Amounts which cannot properly be included in the printed items must be entered under Other Assets or Other Liabilities.

	Sch.	Item	Col.			Mil.	Thou.	
ASSETS								
1. Cash and due from depository institutions	C	6					254	1
2. U.S. Treasury securities						2	155	2
3. Obligations of other U.S. Government agencies and corporations						1	380	3
4. Obligations of States and political subdivisions in the United States							020	4
5. All other securities							014	5
6. Federal funds sold and securities purchased under agreements to resell							450	6
7. a. Loans, Total (excluding unearned income)	A	10		4	250			7a
b. LESS: allowance for possible loan losses (do not enclose in parentheses)					NONE			7b
c. Loans, Net						4	250	7c
8. Lease financing receivables							NONE	8
9. Bank premises, furniture and fixtures, and other assets representing bank premises							052	9
10. Real estate owned other than bank premises							NONE	10
11. All other assets	G	3					348	11
12. TOTAL ASSETS (sum of items 1 thru 11)						8	923	12
LIABILITIES								
13. Demand deposits of individuals, partnerships, and corporations	F	1	A			1	001	13
14. Time and savings deposits of individuals, partnerships, and corporations	F	1	B&C			6	014	14
15. Deposits of United States Government	F	2	A,B&C				023	15
16. Deposits of States and political subdivisions in the United States	F	3	A,B&C				780	16
17. All other deposits	F	4	A,B&C				NONE	17
18. Certified and officers' checks	F	5	A				013	18
19. TOTAL DEPOSITS (sum of items 13 thru 18)						7	831	19
a. Total demand deposits	F	6	A	1	092			19a
b. Total time and savings deposits	F	6	B&C	6	739			19b
20. Federal funds purchased and securities sold under agreements to repurchase							296	20
21. Interest-bearing demand notes (note balances) issued to the U.S. Treasury & other liabilities for borrowed money							NONE	21
22. Mortgage indebtedness and liability for capitalized leases							NONE	22
23. All other liabilities	H	3					164	23
24. TOTAL LIABILITIES (excluding subordinated notes and debentures) (sum of items 19 thru 23)						8	291	24
25. Subordinated notes and debentures							NONE	25
EQUITY CAPITAL								
26. Preferred stock — a. No. shares outstanding: NONE (par value)								26
27. Common stock — a. No. shares authorized: 250; b. No. shares outstanding: 250 (par value)							025	27
28. Surplus							450	28
29. Undivided profits and reserve for contingencies and other capital reserves							157	29
30. TOTAL EQUITY CAPITAL (sum of items 26 thru 29)							632	30
31. TOTAL LIABILITIES AND EQUITY CAPITAL (sum of items 24, 25 and 30)						8	923	31

NOTE: This report must be signed by an authorized officer and attested by not less than two directors for State nonmember Banks and three directors for National Banks other than the officer signing the report.

I, the undersigned officer, do hereby declare that this Report of Condition (including the supporting schedules) has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

SIGNATURE OF OFFICER AUTHORIZED TO SIGN REPORT: Jeffrey O. Holmes
AREA CODE/TELEPHONE NO.: 913-349-2221
DATE SIGNED (Month, Day, Year): January 24, 1983

NAME & TITLE OF OFFICER AUTHORIZED TO SIGN REPORT: Jeffrey O. Holmes, President

We, the undersigned directors, attest to the correctness of this Report of Condition (including the supporting schedules) and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

SIGNATURE OF DIRECTOR: [signature]
SIGNATURE OF DIRECTOR: Edward B. Holmes
SIGNATURE OF DIRECTOR: [signature]

MEMC NDA

	Mil.	Thc	
1. Amounts outstanding as of report date			
a. Standby letters of credit, total		NONE	1a
b. Time certificates of deposit in denominations of $100,000 or more *(included in Schedule F, Col. C)*		307	1b
c. Other time deposits in amounts of $100,000 or more *(included in Schedule F, Col. C)*		400	1c
2. Average for 30 calendar days (or calendar month) ending with report date			
a. Total deposits *(corresponds to Liabilities, item 19)*	7	657	2a

SCHEDULE A—LOANS (INCLUDING REDISCOUNTS AND OVERDRAFTS)

	Mil.	Thou.	
1. Real estate loans (include only loans secured primarily by real estate):			
a. Construction and land development		NONE	1a
b. Secured by farmland (including farm residential and other improvements)		NONE	1b
c. Secured by 1—4 family residential properties		325	1c
d. Secured by multifamily (5 or more) residential properties		NONE	1d
e. Secured by nonfarm nonresidential properties		NONE	1e
2. Loans to financial institutions		454	2
3. Loans for purchasing or carrying securities (secured and unsecured)		NONE	3
4. Loans to finance agricultural production and other loans to farmers	2	329	4
5. Commercial and industrial loans (except those secured primarily by real estate)		641	5
6. Loans to individuals for household, family, and other personal expenditures (include purchased paper):			
a. To purchase private passenger automobiles on installment basis		143	6a
b. Credit cards and related plans		NONE	6b
c. To purchase mobile homes (exclude travel trailers)		031	6c
d. All other instalment loans for household, family, and other personal expenditures		091	6d
e. Single-payment loans for household, family, and other personal expenditures		238	6e
7. All other loans		002	7
8. Total loans, Gross *(sum of items 1a thru 7)*	4	254	8
9. Less: Unearned income on loans reflected in items above *(do not enclose in parentheses)*		4	9
10. TOTAL LOANS (excluding unearned income) *(item 8 minus item 9)(must equal Assets, item 7a)*	4	250	10

SCHEDULE B - SECURITIES AND OBLIGATIONS *(Book Value)* Distribution by Remaining Maturity *(Exclude Securities Held in Trading Account)*	A. 1 year and less		B. Over 1 thru 5 years		C. Over 5 thru 10 years		D. Over 10 years		E. Total		
1. U.S. Treasury securities and obligations of other U.S. Government agencies and corporations *(Assets, items 2 and 3)*	2	188	1	099		248		NONE	3	535	1
2. Obligations of States and political subdivisions in the U.S. *(Assets, item 4)*		1		4		5		10		020	2

SCHEDULE C—CASH AND DUE FROM DEPOSITORY INSTITUTIONS

	Mil.	Thou.	
1. Cash items in process of collection and unposted debits *(unposted debits from Schedule I)*		NONE	1
2. Demand balances with commercial banks in the United States		187	2
3. All other balances with depository institutions in the U.S. and with banks in foreign countries.		NONE	3
4. Balances with Federal Reserve Banks		039	4
5. Currency and coin *(U.S. and foreign)*		028	5
6. TOTAL *(sum of items 1 thru 5) (must equal Assets, item 1)*		254	6

SCHEDULE F—DEPOSITS

	A. DEMAND Mil.	A. DEMAND Thou.	B. SAVINGS Mil.	B. SAVINGS Thou.	C. TIME Mil.	C. TIME Thou.	
1. Deposits of individuals, partnerships, and corporations	1	001	1	544	4	470	1
2. Deposits of United States Government		019		4		NONE	2
3. Deposits of States and political subdivisions in the U.S.		059		4		717	3
4. All other deposits		NONE		NONE		NONE	4
5. Certified and officers' checks, travelers' checks, letters of credit sold for cash		013					5
6. Total deposits *(Col. A must equal Liabilities, item 19a, and Cols. B plus C must equal Liabilities, item 19b)*	1	092	1	552	5	187	6
MEMORANDA							MEMO
1. Savings deposits authorized for automatic transfer *(included in item 1, Col. B above)* and NOW accounts *(included in items 1 and 3, Col. B above)*				953			1
2. Money market time deposits *(include both (a) minimum denominations of $10,000 but less than $100,000 with original maturities of 26 weeks and (b) minimum denominations of $7,500 but less than $100,000 with original maturities of 91 days)(included in item 6, Col. C above)*					3	584	2
3. Savings deposits of corporations and other profit organizations *(included in item 1, Col. B above)*				NONE			3
4. All savers certificates *(included in item 6, Col. C above)*						415	4
5. Individual Retirement Accounts (IRA) and Keogh Plan Accounts *(included in item 1, Col. B and C above)*		2					5

SCHEDULE G—ALL OTHER ASSETS

	Mil.	Thou.
1. Income earned or accrued on *loans* but not collected *(include income earned or accrued on bonds in item 2 below)*		178
2. All other *(list items over 25% of item 3 below if they are greater than $10 thousand)*		170
3. TOTAL *(sum of items 1 and 2) (must equal Assets, item 11)*		348

SCHEDULE H—ALL OTHER LIABILITIES

	Mil.	Thou.	
1. Deferred income taxes *(if net deferred income taxes result in a debit, balance, report and itemize in Schedule G, item 2)*		NONE	1
2. All other *(list items over 25% of item 3 below if they are greater than $10 thousand)*		164	2
3. TOTAL *(sum of items 1 and 2) (must equal Liabilities, item 23)*		164	3

SCHEDULE I—OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENTS

	Mil.	Thou.	
1. Unposted debits (see instructions):			
a. Actual amount of all unposted debits		NONE	1a
OR b. Separate amount of unposted debits:			
1. Actual amount of demand deposits		NONE	1b1
2. Actual amount of time and savings deposits		NONE	1b2
2. Unposted credits (see instructions):			
a. Actual amount of all unposted credits		NONE	2a
OR b. Separate amount of unposted credits:			
1. Actual amount of demand deposits		NONE	2b1
2. Actual amount of time and savings deposits		NONE	2b2
3. Uninvested trust funds (cash) held in bank's own trust department *(not included in Liabilities, item 19)*		NONE	3
4. Deposits in domestic offices of consolidated subsidiaries *(not included in Liabilities, item 19)*:			
a. Demand deposits of consolidated subsidiaries		NONE	4a
b. Time and savings deposits of consolidated subsidiaries		NONE	4b
5. International Banking Facility (IBF) time deposits *(included in Schedule F, Column C)*		NONE	5

SCHEDULE K—SUPERVISORY DATA

	Mil.	Thou.	
1. Other bonds, notes, and debentures maturing in more than five years *(exclude trading account securities)* included in Assets, item 5		NONE	1
2. Total time deposits of $100,000 or more of States and political subdivisions included in Memoranda, items 1b and 1c		607	2
3. Interest-bearing demand notes issued to the U.S. Treasury included in Liabilities, item 21		NONE	3
4. Other liabilities for borrowed money maturing in 12 months or more included in Liabilities, item 21		NONE	4
5. Daily average for 30 calendar days *(or calendar month)* ending with report date:			
a. Total Assets *(corresponds to Assets, item 12)*	8	798	5a
b. Federal funds sold and securities purchased under agreements to resell *(corresponds to Assets, item 6)*		473	5b
c. Total loans *(corresponds to Assets, item 7a)*	4	086	5c
d. Time certificates of deposit in denominations of $100,000 or more *(corresponds to Memoranda, item 1b)*		307	5d
Report for end of year only			
6. Deferred portion of total provision for income taxes included in Report of Income, Section F, item 1c.		NONE	6

NAME AND ADDRESS OF BANK

CALL NO. 142 21 12-31-82

04798 11 20-5980

THE FIRST NATIONAL BANK OF WHITE CIT
Y
P.O. BOX 158
WHITE CITY, KS 66872

OMB No. for OCC 1557-0090
Expiration Date 6/30/83

SPECIAL REPORT

CONTINGENCIES OUTSTANDING AS OF REPORT DATE, ADJUSTABLE RATE MORTGAGES AND LOANS TO EXECUTIVE OFFICERS

(To be completed by National Banks Only)
(Dollar Amounts in Thousands)

RETURN ORIGINAL ONLY TO FDIC, REPORTS ANALYSIS AND PROCESSING UNIT, 550 17th STREET, N.W. WASHINGTON, D.C. 20429 AND SEND ONE COPY TO THE APPROPRIATE REGIONAL ADMINISTRATOR.

CLOSE OF BUSINESS DATE
December 31, 1982

CONTINGENCIES OUTSTANDING AS OF REPORT DATE *(FULLY CONSOLIDATED)*	Mil.	Thou.	
1. Commercial letters of credit		NONE	1
2. Guarantees and letters of indemnity		NONE	2
3. Contracts:			
a. to purchase securities		NONE	3a
b. to sell securities		NONE	3b
c. to purchase foreign exchange		NONE	3c
d. to sell foreign exchange		NONE	3d
e. other contracts to purchase *(itemize amounts over 5% of equity capital)*		NONE	3e
f. other contracts to sell *(itemize amounts over 5% of equity capital)*		NONE	3f
4. Obligations under repurchase agreements not shown on balance sheet as liabilities		NONE	4

NOTE: Standby letters of credit are reported in the memorandum section of the Balance Sheet.

INSTRUCTIONS FOR CONTINGENCIES OUTSTANDING AS OF REPORT DATE

Report on a fully consolidated foreign and domestic basis all contingencies and commitments outstanding as of the report date, however named or described, which meet the following definitions. Any question concerning whether a particular item should be included is to be resolved by reporting that item in the category below which most accurately describes it. Loan commitments are *not* to be included nor are the unused portions of credit card or check overdraft agreements.

Any item that is reported in the Report of Condition as a direct asset or liability should be excluded. However, report any contingency or commitment meeting the criteria defined below, which, though carried on the bank's books as a direct asset or liability, is not reportable as such in the Report of Condition. Any contingency or commitment generally meeting these criteria will be reported, even if it is not reflected on the bank's books as a direct asset or liability, memorandum account, or otherwise.

1. Commercial letters of credit. Report the amount outstanding and unused as of the report date of issued or confirmed commercial letters of credit and traveler's letters of credit not sold for cash. Do not include advised letters of credit. Also exclude standby letters of credit reported in Memorandum Item 1a in the Balance Sheet of the Report of Condition.

2. Guarantees and letters of indemnity. Report all undertakings whereby the bank is obligated to stand as guarantor or surety for the benefit of a third party. Exclude such items classified elsewhere or as standby letters of credit reported in Memorandum Item 1a in the Balance Sheet of the Report of Condition. Also exclude shipside or dockside guarantees or similar guarantees relating to missing Bills of Lading or title documents, so-called document guarantees, and signature and endorsement guarantees.

3. (a through f) Contracts. Report opposite the proper subitem (a through f) all contractual obligations into which the bank has entered to purchase or sell securities, foreign exchange (both at spot and forward) or any other asset, including but not limited to bullion, coin, money and capital market instruments, placements (applies to foreign offices only), loans (other than dealer paper), federal funds, and personal or real property, including personal property being acquired for lease to others. Report only the unsold portion of the bank's own takedown in syndicated securities underwriting transactions. Itemize all classes of contracts equal to more than 5% of Total Equity Capital.

Exclude contractual obligations to repurchase assets reportable in Item 4 below. Also exclude from Items 3a & b open "regular way" settlement transactions (five day settlement period for municipals and corporate securities, and one day settlement for U.S. Government and Federal Agency securities). Any contract relating to the sale or purchase of personal property equal in amount to less than ½ of 1% of Total Equity Capital may also be excluded.

4. Obligations under repurchase agreements not shown on balance sheet as liabilities. Report all contractual obligations of the bank to repurchase any assets sold or otherwise transferred which are not reported in the Balance Sheet portion of the Report of Condition pursuant to the Call Report Instructions, revised April 1978.

FDIC 8040/65 (12-82)

(continued on reverse side)

ADJUSTABLE RATE MORTGAGES AS OF REPORT DATE (DECEMBER REPORT ONLY)

	Mil.	Thou.	
1. Adjustable Rate Mortgages on 1-4 Family Residences (Consolidated Domestic Offices) (included in Schedule A, item 1c)		241	1

Instructions for Reporting Memoranda Data on Adjustable rate mortgages on 1-4 family residences. Report the principal amount of all adjustable rate mortgage loans made to finance or refinance the purchase of, and secured by a lien on, one- to four-family dwellings, including condominium units, cooperative housing units and mobile homes, where such loans are made pursuant to an agreement intended to enable the lender to adjust the rate of interest from time to time. Adjustable rate mortgage loans include loan agreements where the note or other loan documents expressly provide for adjusting the rate at periodic intervals. They also include fixed rate loan agreements that implicitly permit rate adjustment by having the note mature on demand or at the end of an interval shorter than the term of the amortization schedule unless the bank has made no promise to refinance the loan.

LOANS TO EXECUTIVE OFFICERS

The following information is required by Public Law 90-44, but does not constitute a part of the Report of Condition. The Law requires all National Banks to furnish with each condition report a report of loans to its executive officers made since the date of the previous Report of Condition. Data regarding individual loans are not required. If no such loans were made during the period, insert "none" against subitem (a). *(Exclude the first $5,000 of indebtedness of each executive officer under bank credit card plan.)*

a. Number of loans to executive officers	NONE	
b. Total dollar amount of above loans *(in thousands of dollars)*		
c. Range of interest charged on above loans (example: 9¾% = 9.75)	% to	%

SIGNATURE AND TITLE OF OFFICER AUTHORIZED TO SIGN REPORT	DATE *(Month, Day, Year)*
Harry L Collins, EVP	January 24, 1983

NAME AND TITLE OF PERSON TO WHOM INQUIRIES MAY BE DIRECTED	AREA CODE/TELEPHONE NUMBER
Donald [illegible] Sanford, Cashier	913-349-[illegible]

[illegible]

NAME AND ADDRESS OF BANK

CALL NO. 142 21 12-31-82
04798 11 20-5980
THE FIRST NATIONAL BANK OF WHITE CIT
Y
P.O. BOX 158
WHITE CITY, KS 66872

OMB NO. for FDIC 3064--0052
Expiration Date: 1/31/84
OMB NO. for OCC 1557--0081
Expiration Date: 1/31/84

(COMMERCIAL BANK)

(Domestic only less than $100 MM)
(Including Domestic Subsidiaries)
(Dollar Amounts in Thousands)

ALL BANKS: RETURN ORIGINAL ONLY TO FDIC, REPORTS ANALYSIS AND PROCESSING UNIT, 550 17th STREET, N.W., WASH. D. C. 20429

NATIONAL BANKS: ALSO SEND ONE COPY TO THE APPROPRIATE REGIONAL ADMINISTRATOR AND FEDERAL RESERVE DISTRICT BANK

PLEASE CAREFULLY READ INSTRUCTIONS ON THE FOLLOWING PAGES AND DETACH PAGE 3 BEFORE RETURNING FORM.

CLOSE OF BUSINESS DATE December 31, 1982

Every item must be filled in. Printed items must not be amended.

PAST DUE, NONACCRUAL AND RENEGOTIATED LOANS AND LEASE FINANCING RECEIVABLES

Type of Loans and Lease Financing Receivables	A Past due 30 through 89 days and still accruing		B Past due 90 days or more and still accruing		C Nonaccrual		D Renegotiated "troubled" debt	
	MIL.	THOU	MIL.	THOU.	MIL.	THOU	MIL	THOU.
1. Real estate loans		NONE		NONE				
2. Commercial and industrial loans		NONE		NONE				
3. Loans to individuals for household, family and other personal expenditures		003		006				
4. Loans to finance agricultural production and other loans to farmers[1]		NONE		NONE				
5. All other loans and all lease financing receivables		NONE		NONE				
6. TOTAL (sum of items 1 thru 5)		003		006		NONE		NONE

[1]Must be reported separately only if agricultural loans exceed 1% of total loans; if less than or equal to 1%, may be included in Item 5.

Signature and Title of officer authorized to sign report	Date Signed (month, day, year)
Gary S. Catlin, EVP	January 24, 1983
Name and Title of person to whom inquiries may be directed	**Area code/Telephone number**
Donald R. Sanford, Cashier	913-349-2221

FDIC 8040/70 Page 1 (9-82) FFIEC 021c

NAME AND ADDRESS OF BANK

CALL NO. 138 FOURTH 1981 CALL 12-31-81
COUNTY MORRIS
BRS. - 0000 SMSA - 0000 BHC - 0000

04798 11 20-5980
THE FIRST NATIONAL BANK OF WHITE CIT
Y
P.O. BOX 158
WHITE CITY, KANSAS 66872

OMB No. for FDIC 3064-0052
Expiration Date 7/31/84
OMB No. for OCC 1557-0081
Expiration Date 9/30/84

CONSOLIDATED REPORT OF CONDITION
(Domestic - Small, Including Domestic Subsidiaries)
(Dollar Amounts in Thousands)

ALL BANKS: RETURN ORIGINAL ONLY TO FDIC, REPORTS ANALYSIS AND PROCESSING SECTION, 550 17th STREET, N.W., WASH., D.C. 20429
NATIONAL BANKS: ALSO SEND ONE COPY TO THE APPROPRIATE REGIONAL ADMINISTRATOR AND FEDERAL RESERVE DISTRICT BANK (Please read carefully instructions for the preparation of Reports of Condition)

CLOSE OF BUSINESS DATE
December 31, 1981

Every item and schedule must be filled in. Printed items must not be amended. Amounts which cannot properly be included in the printed items must be entered under Other Assets or Other Liabilities.

	Sch.	Item	Col.			Mil.	Thou.	
ASSETS								
1. Cash and due from depository institutions	C	6					393	1
2. U.S. Treasury securities						5	381	2
3. Obligations of other U.S. Government agencies and corporations							none	3
4. Obligations of States and political subdivisions in the United States							3	4
5. All other securities							14	5
6. Federal funds sold and securities purchased under agreements to resell							850	6
7. a. Loans, Total (excluding unearned income)	A	10			306			7a
b. LESS: allowance for possible loan losses (do not enclose in parentheses)					none			7b
c. Loans, Net							306	7c
8. Lease financing receivables							none	8
9. Bank premises, furniture and fixtures, and other assets representing bank premises							9	9
10. Real estate owned other than bank premises							none	10
11. All other assets	G	3					none	11
12. TOTAL ASSETS (sum of items 1 thru 11)						6	956	12
LIABILITIES								
13. Demand deposits of individuals, partnerships, and corporations	F	1	A				878	13
14. Time and savings deposits of individuals, partnerships, and corporations	F	1	B&C			4	800	14
15. Deposits of United States Government	F	2	A,B&C				3	15
16. Deposits of States and political subdivisions in the United States	F	3	A,B&C				619	16
17. All other deposits	F	4	A,B&C				none	17
18. Certified and officers' checks	F	5	A				22	18
19. TOTAL DEPOSITS (sum of items 13 thru 18)						6	322	19
a. Total demand deposits	F	6	A		967			19a
b. Total time and savings deposits	F	6	B&C	5	355			19b
20. Federal funds purchased and securities sold under agreements to repurchase							none	20
21. Interest-bearing demand notes (note balances) issued to the U.S. Treasury & other liabilities for borrowed money							none	21
22. Mortgage indebtedness and liability for capitalized leases							none	22
23. All other liabilities	H	3					12	23
24. TOTAL LIABILITIES (excluding subordinated notes and debentures) (sum of items 19a thru 23)						6	334	24
25. Subordinated notes and debentures							none	25
EQUITY CAPITAL								
26. Preferred stock — a. No. shares outstanding				none	(par value)		none	26
27. Common stock — a. No. shares authorized				250				
b. No. shares outstanding				250	(par value)		25	27
28. Surplus							450	28
29. Undivided profits and reserve for contingencies and other capital reserves							147	29
30. TOTAL EQUITY CAPITAL (sum of items 26 thru 29)							622	30
31. TOTAL LIABILITIES AND EQUITY CAPITAL (sum of items 24, 25 and 30)						6	956	31

NOTE: This report must be signed by an authorized officer and attested by not less than two directors for State nonmember Banks and three directors for National Banks other than the officer signing the report.

I, the undersigned officer, do hereby declare that this Report of Condition (including the supporting schedules) has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

SIGNATURE OF OFFICER AUTHORIZED TO SIGN REPORT: Donald R Sanford

AREA CODE/TELEPHONE NO.: 913-349-2618

DATE SIGNED (Month, Day, Year): 1-18-82

NAME & TITLE OF OFFICER AUTHORIZED TO SIGN REPORT: Donald R. Sanford, Cashier

We, the undersigned directors, attest to the correctness of this Report of Condition (including the supporting schedules) and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

SIGNATURE OF DIRECTOR: W. A. H. allbrook

SIGNATURE OF DIRECTOR: [illegible]

SIGNATURE OF DIRECTOR: [illegible]

MEMORANDA	Mil.	Thou.	
1. Amounts outstanding as of report date			
a. Standby letters of credit, total		none	1a
b. Time certificates of deposit in denominations of $100,000 or more		164	1b
c. Other time deposits in amounts of $100,000 or more		300	1c
2. Average for 30 calendar days (or calendar month) ending with report date			
a. Total deposits *(corresponds to Liabilities, item 19)*	6	164	2a

SCHEDULE A—LOANS (INCLUDING REDISCOUNTS AND OVERDRAFTS)	Mil.	Thou.	
1. Real estate loans (include only loans secured primarily by real estate):			
a. Construction and land development		none	1a
b. Secured by farmland (including farm residential and other improvements)		20	1b
c. Secured by 1—4 family residential properties		4	1c
d. Secured by multifamily (5 or more) residential properties		none	1d
e. Secured by nonfarm nonresidential properties		none	1e
2. Loans to financial institutions		none	2
3. Loans for purchasing or carrying securities (secured and unsecured)		none	3
4. Loans to finance agricultural production and other loans to farmers		173	4
5. Commercial and industrial loans (except those secured primarily by real estate)		45	5
6. Loans to individuals for household, family, and other personal expenditures (include purchased paper):			
a. To purchase private passenger automobiles on installment basis		43	6a
b. Credit cards and related plans		none	6b
c. To purchase mobile homes (exclude travel trailers)		none	6c
d. All other instalment loans for household, family, and other personal expenditures		none	6d
e. Single-payment loans for household, family, and other personal expenditures		28	6e
7. All other loans		none	7
8. Total loans, Gross *(sum of items 1a thru 7)*		313	8
9. Less: Unearned income on loans reflected in items above *(do not enclose in parentheses)*		7	9
10. TOTAL LOANS (excluding unearned income) *(must equal Assets, item 7a)*		306	10

SCHEDULE B - SECURITIES AND OBLIGATIONS *(Book Value)* Distribution by Remaining Maturity *(Exclude Securities Held in Trading Account)*	A. 1 year and less		B. Over 1 thru 5 years		C. Over 5 thru 10 years		D. Over 10 years		E. Total		
1. U.S. Treasury securities and obligations of other U.S. Government agencies and corporations *(Assets, items 2 and 3)*	1	859	2	427		528		567	5	381	1
2. Obligations of States and political subdivisions in the U.S. *(Assets, item 4)*		3		none		none		none		3	2

SCHEDULE C—CASH AND DUE FROM DEPOSITORY INSTITUTIONS

	Mil.	Thou.	
1. Cash items in process of collection and unposted debits *(unposted debits from Schedule I)*		none	1
2. Demand balances with commercial banks in the United States		246	2
3. All other balances with depository institutions in the U.S. and with banks in foreign countries.		none	3
4. Balances with Federal Reserve Banks		105	4
5. Currency and coin *(U.S. and foreign)*		42	5
6. TOTAL *(must equal Assets, item 1)*		393	6

SCHEDULE F—DEPOSITS

	A. DEMAND Mil.	A. DEMAND Thou.	B. SAVINGS Mil.	B. SAVINGS Thou.	C. TIME Mil.	C. TIME Thou.	
1. Deposits of individuals, partnerships, and corporations		878	1	293	3	507	1
2. Deposits of United States Government		3		none		none	2
3. Deposits of States and political subdivisions in the U.S.		64		11		544	3
4. All other deposits		none		none		none	4
5. Certified and officers' checks, travelers' checks, letters of credit sold for cash)		22					5
6. Total deposits *(Col. A must equal Liabilities, item 19a, and Cols. B plus C must equal Liabilities, item 19b)*		967	1	304	4	051	6
MEMORANDA							MEMO
1. Savings deposits authorized for automatic transfer *(included in item 1, Col. B above)* and NOW accounts *(included in items 1 and 3, Col. B above)*				708			1
2. Money market time deposits in denominations of $10,000 but less than $100,000 with original maturities 26 weeks *(included in item 6, Col. C above)*					3	013	2
3. Savings deposits of corporations and other profit organizations *(included in item 1, Col. B above)*				none			3
4. All-Savers Certificates *(included in item 6, Col. C above)*						269	4

SCHEDULE G—ALL OTHER ASSETS

	Mil.	Thou.
1. Income earned or accrued on *loans* but not collected *(include income earned or accrued on bonds in item 2 below)*		none
2. All other *(list items over 25% of item 3 below if they are greater than $10 thousand)*		none
3. TOTAL *(must equal Assets, item 11)*		none

SCHEDULE H—ALL OTHER LIABILITIES

	Mil.	Thou.	
1. Deferred income taxes *(if net deferred income taxes result in a debit balance, report and itemize in Schedule G, item 2)*		none	1
2. All other *(list items over 25% of item 3 below if they are greater than $10 thousand)* Res. for Taxes		12	2
3. TOTAL *(must equal Liabilities, item 23)*		12	3

SCHEDULE I—OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENTS

	Mil.	Thou.	
1. Unposted debits (see instructions):			
a. Actual amount of all unposted debits		none	1a
OR b. Separate amount of unposted debits			
1. Actual amount of demand deposits		none	1b1
2. Actual amount of time and savings deposits		none	1b2
2. Unposted credits (see instructions):			
a. Actual amount of all unposted credits		none	2a
OR b. Separate amount of unposted credits			
1 Actual amount of demand deposits		none	2b1
2 Actual amount of time and savings deposits		none	2b2
3. Uninvested trust funds (cash) held in bank's own trust department not included in Liabilities, item 19		none	3
4. Deposits in domestic offices of consolidated subsidiaries that are not included in Liabilities, item 19			
a. Demand deposits of consolidated subsidiaries		none	4a
b. Time and savings deposits of consolidated subsidiaries		none	4b
5. International Banking Facility (IBF) time deposits *(included in Schedule F, Column C)*:			
a. Deposits and placements in IBF accounts		none	5a
b. Borrowings and similar obligations in IBF accounts		none	5b

SCHEDULE K—SUPERVISORY DATA

	Mil.	Thou.	
1. Other bonds, notes, and debentures maturing in more than five years *(exclude trading account securities)* included in Assets, item 5		none	1
2. Total time deposits of $100,000 or more of States and political subdivisions included in Memoranda, items 1b and 1c		464	2
3. Interest-bearing demand notes issued to the U.S. Treasury included in Liabilities, item 21		none	3
4. Other liabilities for borrowed money maturing in 12 months or more included in Liabilities, item 21		none	4
5. Daily average for 30 calendar days *(or calendar month)* ending with report date: a. Total Assets *(corresponds to Assets, item 12)*	6	820	5a
b. Federal funds sold and securities purchased under agreements to resell *(corresponds to Assets, item 6)*		876	5b
c. Total loans *(corresponds to Assets, item 7a)*		299	5c
d. Time certificates of deposit in denominations of $100,000 or more *(corresponds to Memoranda, item 1b)*		164	5d
Report for end of year only. 6. Deferred portion of total provision for income taxes included in Report of Income, Section F, item 1c.		--	6

MULTIBANK HOLDING COMPANIES, CONSUMER BENEFITS AND COMPETITIVE ASPECTS: PERSPECTIVE ANALYSIS AND SUMMARY OF RESEARCH

Professor Jack Gaumnitz

University of Kansas

Lawrence, Kansas

September 1982

Attachment 5
C&FI COMMITTEE - Feb. 15, 1983

Jack E. Gaumnitz is currently a Professor of finance in the School of Business at the University of Kansas. He received his Bachelor's and MBA degree from the University of Wisconsin and his Ph.D. from Stanford (1967). His prime teaching interests are financial institutions, investments and capital budgeting.

Dr. Gaumnitz has co-authored a book on financial institutions and capital markets and has published several articles in the areas of portfolio management, securities investment, asset abandonment, leasing, and real estate. In addition, he is the president of an investment management group.

Previously related activities include (1) analysis and testimony pertaining to bank charters (2) assessment of income/loss in suit between two institutions (3) valuation of a closely held financial institution, (4) valuation of investment securities and (5) real estate appraisal and analysis.

This study examines the significance and impact of multibank holding companies on state and local economics, on local capital and money markets and on financial institutions. The conclusions are largely based on research drawn from scholarly publications pertaining to the varied impact of multibank holding companies (MBHC's). An assessment of the competitive effects on states that have recently enacted legislation favoring expansion of multiholding bank forms, a brief comment on the probable course of bank regulation in the future--especially at the national level--and the banking structure most suited for this challenge are also part of this report. For convenience the paper is divided into three major sections: (1) a general summary and conclusion; (2) a topical summary providing information on the major areas of research on multibank holdings company and (3) a further analysis discussing the research evidence in greater detail.

I SUMMARY AND CONCLUSION OF STUDY

Most research studies, discussed below, conclude that overall, the multiholding bank form is more beneficial to the public interest when compared to the unit or independent bank form. The evidence is reasonably clear that benefits to the consumer from this type of organization tend to outweigh the costs. Although the evidence and conclusions are not unanimous, there is a rather large body of research that shows that the fears of those who oppose any form of MBHC's are largely unfounded and in general cannot be substantiated to any reasonable degree.

Research has shown that multibank holding companies as compared to unit banks or limited branch banks generally (1) do not increase concentration, hence competition is presumably increased, (2) increase net public benefit relative to cost, (3) increase bank safety and soundness while at the same time causing increased lending to customers through loan diversification capabilities, (4) offer expanded financial services to bank customers,

(5) do not decrease, and in many cases, increase, the monies available for local lending, (6) overall hold the pricing of services about the same even though varying the pricing of some services considerably and, (7) increase the deposit mix and interest rate paid on time deposits thereby favoring the consumer.

The benefit to the public of multibank holding companies, when compared to unit banks, is normally greatest on the consumer savings side. A greater abundance of savings instruments offering higher rates and greater flexibility than available in unit banking states often exists. Moreover, this has been accomplished with no appreciable differences in loan interest charges. The net result is a narrowing of the net interest rate margin--the spread between average interest earned on assets and interest paid on deposit funds, a slight lowering of bank profitability as a percent of assets and, as a result, a greater net benefit to the public than previously available.

The growth in deregulation and the shift in balance towards more competition among all financial institutions tends to favor a multibank holding company form since it is at least a step closer to the most probable financial environment in the future. It also represents a better positioning in response to competitive pressures both here and abroad. Rudiments of interstate banking have existed for many years for foreign banking organizations.*[1] Recently, domestic banks, although under unusual circumstances, have been allowed defacto interstate banking.[2] Savings and loan associations with recently expanded loan authority already have statewide branching capabilities.[3] Some banks, notably Citicorp and Bank of America, have long operated loan

* Footnotes are at the end of the paper before Bibliography.

offices throughout the country through subsidiaries in preparation for the expected eventual legalization of interstate banking.[4] Others with non-bank origins have banking type operations in place and in one form or another are continually encroaching or challenging the remaining legal constraints to wide open competition.[5]

The Federal Reserve, although favoring some increased competition, does not favor wide open destructive competition and in fact they have been quite firm in their denials of mergers where concentration is noticeably increased even though net public benefits (over costs) are positive.[6] Holding companies must still show that existing banks will not be unduly harmed and that de novo or foothold acquisitions by the expanding bank would not take place otherwise. In short, significant control over multibank acquisition or expansion is still exercised by the Federal Reserve.[7]

To be sure, all of the increased competition may not turn out to be highly beneficial, yet the overall balance weighs heavily in favor or the multiholding bank form when compared to the unit bank form. Public benefits exceed public costs and the future national financial institutional structure warrants it.

II TOPICAL SUMMARY

Although in existence since the early 1900's, the growth of bank holding companies (BHC's)--one bank and multibank--is clearly one of the significant developments in banking over the last twenty years. As a result, a large body of research has been published on their performance and impact as it affects bank and non-bank affiliates. Where there are conflicting research results, some explanation or comment on the differences is noted. Not all of the studies discussed below relate strictly to the BHC form. Some studies, for example, make branch and chain bank comparisons to unit banks. These studies are discussed here because of their similarities to

BHC's in substance if not in form. Furthermore, Federal Reserve rulings have often treated these structural forms in the same manner.[8]

The areas discussed are categorized along general lines of research inquiry regarding BHC's. This would include effects of bank holding companies on (1) concentration of resources, (2) cost efficiency, (3) competition, (4) bank soundness, (5) public benefits and costs, (6) supply of financial services to customers and (7) future competitive structure of financial markets.

1. Concentration of resources. Multibank holding companies have not increased their control over total financial resources in the economy. Although BHC's have continued to increase their share of domestic bank deposits, most of the recent increase is due to conversion by existing unit banks to the BHC form of organization. Less than ten percent of the total BHC bank deposits are outside the lead bank.

BHC's have not significantly increased the concentration ratio in commercial banking at the national, state, or local level. Since the mid 1930's, concentration ratios have actually shown a declining trend for all three governmental divisions. (Here concentration ratios have frequently focused on the percentage of total deposits held by the five largest banks in a given statistical area.) Although there is some conflicting evidence especially at the state level, concentration has declined greatest in states with heavy or light initial concentration and increased the most in states with low to moderate initial concentration. At local levels, there has been little or no discernable effect on concentration due to bank holding companies. This result can be explained in part by the Federal Reserve Board's strong stance in procompetitive bank expansions.

In non-banking but closely allied activities such as leasing, mortgage banking, courier services, BHC's have not made a noticeably impact.

2. Cost Efficiency. There is only fragmentary and partial information on cost efficiency and some of the evidence in this area is conflicting. Affiliation with a large BHC generally results in initial savings in organizational costs and a reduction in costs through economics of scale. Gains tend to be greatest for small affiliate banks. In many cases, the benefits of economics of scale tend to diminish (but not become negative) once affiliated banks reach asset size around thirty million dollars. Certain economies in costs can be achieved by affiliated banks but these may be offset by home office charges to the unit. A reasonable conclusion, on balance is that operating expenses of affiliated companies do not differ much from those of unaffiliated companies.

3. Competition. The Federal Reserve is required to assess the competitive effects of any affiliation before approval is granted. Some increase in competition at least as it relates to reduced concentration and/or expanded markets is viewed favorably while excessive competition and significantly lowered profitability is viewed unfavorably.

Conclusions regarding the effect of BHC on competition are somewhat limited in this area because of the few reported studies. As a minimum, however, either through entry into an area through an affiliate, because of the organizational form, or because of some perceived cost efficiencies, especially through automated processes, BHC's have been assumed to have a procompetitive effect on the market.

4. Bank Soundness. Bank holding companies are expected to reduce the risk posture of banks through multibank diversification and expansion into closely allied non-banking areas.

Again through diversification, BHC loan portfolios have tended to be more flexible (of benefit to the consumer) than independent banks. This is favorable for those credit worthy customers who may now receive needed loans in larger size and with better terms than previously available. Diversification throughout a larger geographical area and into other diverse but closely related bank activities should enable BHC's to better withstand any increased loan risk exposure.

BHC's have increasingly leveraged themselves in recent years with borrowed funds; however, as suggested by some, this may be a temporary phenomenon brought on by acquisition costs as the expanded organization was being put in place.

5. Public Benefits and Costs. The Federal Reserve Board as part of its responsibilities under the Bank Holding Company Act of 1956, and as amended in 1966 and 1970, is required to consider the convenience and needs of a community in evaluating a proposed acquisition by a bank holding company. The Board has usually taken a rather strict interpretation of the law and Supreme Court rulings, and has normally rejected applications where the anti-competitive effects outweigh the perceived benefits to the community.

In evaluating BHC applications, the Board has focused on such factors as providing new services, ability to obtain additional capital for customers, increased efficiency, better management and increased competition. Often availability of additional credit to the community--both private and public--has been an important factor. Yet, as noted earlier, despite these benefits, if significant anti-competitive factors exist, there is a high probability of Board denial. Greater leverage and in some cases, probable poorer operating performance, may also lead to Board rejection of an application.

There have been few studies in assessing public benefits largely because of the difficulty in quantifying or measuring beneficial effects. Of those reported, the majority tend to report positive net public benefits. One major study, in conclusion, found that BHC's fulfilled most of their public benefit actions.

6. Supply of Financial Services to Customer. An argument in favor of BHC's--and one that is often advanced when making an acquisition application--is that BHC's can provide expanded financial services to consumers. This expansion of services could take the form of (1) more and different types of saving instruments for prospective savers, (2) loan size expansion to any one borrower, (3) a larger number of buyers receiving loans, and (4) a greater number of bank and bank related services being offered. Included would be such services as trust activities, data processing and retirement counseling.

Most evidence, although again limited, shows that BHC's do fulfill most of the proposed added consumer benefits.

Supplying expanded financial services seems to result, on the average, in lower profit margins as costs for these services are not always offset in a more competitive environment. Often higher costs paid to depositers on new instruments are not offset on the loan side in the form of higher rates to borrowers thereby resulting in a lowering of the net interest rate spread. The most recent study on profitability of insured commercial banks showed a net interest margin (the difference between interest earned and interest expense) of 5.31% for small banks (under $25 million in assets) compared with a return of 3.12% for bank holding companies.[9]

7. Future Competitive Structure of Financial Markets. The passage of the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) in 1980 has been characterized as "...the most sweeping piece of legislation in U.S. history." The Act had as its prime objective a more and better competitive posture for depository institutions. In addition, to the well known removal of interest rate ceilings over time, a number of other significant changes were also made. For example, thrifts will be allowed to invest up to twenty percent in consumer loans, commercial paper or corporate debt. With most thrifts largely unrestricted in location of facilities and

several already owning interstate operations they are currently, or seem to be, essentially quasi multibank operations at this time.

The recent merging of many thrifts (to take over ailing institutions) brings to ten the number of interstate S & L's authorized by the Federal Home Loan Bank Board this year and the fourteenth since the bank board approved the concept in 1981.

Several financial institutions may not have the management talent nor resources required to meet the challenges from a highly competitive environment in the future. One estimate stated that the twenty thousand five hundred banks, savings and loan associations (S & L's) and mutual savings banks as of 1980 could shrink to as little as six thousand in coming years. This shrinkage, whether by acquisition merger or failure will indirectly promote eventual acceptance of interstate banking.

Citicorp's purchase of Fidelity Savings and Loan Association of San Francisco if upheld by the Federal Reserve Board, would mark the first time federal regulators have allowed a bank holding company to cross both state lines and industry lines to buy a thrift operation. "Citicorp already has one hundred and twenty person-to-person financial centers in twenty-eight other states, eight hundred fifty-three regional offices and a national network of interstate credit card and real estate financing. Interstate banking has already got so far in the financial back door that it is setting up housekeeping in the kitchen."

If recent developments in the financial markets spurs further Congressional interest in deregulation their bank holding companies should be well situated to take advantage of any deregulation of financial activities.

III SUMMARY OF RESEARCH: REVIEW

1) Concentration

Erderig (20)* in a study on trends in concentration in multiholding bank states, indicated an actual decline in concentration in standard metropolitan statistical areas (SMSA) from 1965 through 1979 and in non-SMSA districts. She also noted that, "Decreases in concentration generally occurred more frequently in those areas with a high initial level of concentration. Multi-bank holding company activity has had little effect on concentration in local areas, probably because the requirement for prior regulatory approval has inhibited the acquisition of competition in local markets."

Allardice (3)* in a simliar study of structural change in Wisconsin, noted that , "...the effect of large multibank holding companies on concentration in Wisconsin's urban centers appear to have been insignificant." His study showed that in the 1970's banking concentration declined in all fourteen of the urban centers (in Wisconsin). Two major explanations for this result were (1) the entry of new banks and (2) deposit migration to suburban banks.

Dahl, et. al., (17) concluded that high concentration does not necessarily mean less competition. They examined prices and services in Minnesota where forty-eight percent of deposits were held by two banks--a high concentration ratio. The authors found that in some cases, prices for services were higher and in some cases they were lower but, in any event, holding companies provided more services. The authors note that, "Few of the differences were statistically significant, but those that were, indicated that bank competition was keener in Minnesota."

Graham and Rolnick (25) in a broad study on branch banking noted that branch banking generally tends to increase concentration in urban areas. Effects are almost the opposite in rural areas, however. "Rural banks are not likely to branch in their own small local markets, so an increase in the number of offices in these areas can safely been assumed to represent an

---

* Numbers in parentheses refer to Bibliography.

increase in the number of competing firms and thus a decrease in the concentration of banking services there."

2. <u>Cost Efficiency</u>

Studies by Benston (6) and Bell and Murphy (5) found that bank branches were more efficient than unit banks.

Stover (52) in his analysis of single-subsidiary bank holding companies, found that changing to a BHC from a single bank, especially in rural areas, had no significant effect on bank performance.

Early studies by Alhadeff (2), Schweiger and McGee (48) and Horvitz (29) showed that branch banks were less efficient than unit banks although recognizing that branch banks provided more convenience and service. Mullineaux (42) and Longbrake (35) after correcting for earlier studies especially for convenience and service factors generally concluded that there were no significant differences in cost efficiencies.

Drum (18) studied two hundred eight seventh district banks and found that banks ranging in asset size from $50 million to $200 million were generally the most efficient regardless of organizational form (i.e., bank affiliate or independent bank). In some cases, he found that independent banks had economies of scale. "There appeared to be no justification that affiliation with a multibank holding company will produce economies of scale not otherwise available to independent banks." This statement could be viewed favorably since it implies that independent banks and future newly chartered non-affiliated banks should be able to compete effectively, and mitigate concerns about undue economic cost efficiencies in favor of affiliated banks.

3. <u>Competition</u>

Graddy and Kyle (23, 24) in two separate studies, found that bank holding company banks compared to independent banks:

1) held a significantly higher fraction of total resources in business and consumer loans,
2) had a lower average loan rate, maintained a smaller proportion in U.S. securities,
3) gave a stronger response to market growth and new areas,
4) paid a higher average deposit rate but also charged higher fees for checking,
5) held a higher proportion of total deposits in demand deposits.

Mayo (39) noted that since 1977, the Federal Reserve Board has considered chain banks as de facto multibanks and denied holding company status if anti-competitive effects were present. "The Board has denied dozens of applications that would have eliminated competition between two banks in the same market. The benefits to bank customers in the form of lower priced services, just from denials of applications that would have eliminated existing competition, have been more than sufficient to outweigh all other costs associated with the Act."

The Board has also been concerned by holding company acquisition of leading banks in markets that could be entered by more procompetitive means such as charting a de novo bank or by acquiring one of the smaller banks in the same market. Graham and Rolnick (25) noted that many states have permitted some form of branch banking and their experience analyzed expensively:

> "The evidence clearly supports allowing banks more freedom. It strongly suggests that many common concerns over the impact of branching on competition in the banking industry are unwarranted. Permitting branching does not drive small independent banks out of business or reduce the amount of credit rural communities can get or increase what they have to pay for it and other banking services. On the contrary, where branch banking has been allowed, large and small banking systems compete quite vigorously and on average consumers in rural areas are offered more places to bank and a wider variety of banking services. While branching clearly changes some features of the banking market, it has not led to monopoly pricing, but rather to more banking services offered to more people at competitive prices.
>
> The evidence, in short, shows that branch banking has had a positive influence wherever permitted..."10

"The opposition to branch banking in these states has mainly been based on fears that the ability to branch will reduce competition in the banking industry and so increase the cost and reduce the availability of banking services for rural consumers. Specifically, opponents fear that this will happen because they believe that:

1. Branch banks siphon funds out of rural areas.
2. Branch banks are less efficient than unit banks.
3. Large branch banks drive small unit banks out of business.
4. Branching leads to increased bank concentration.

The experience with branch banking in the United States has allowed researchers to test the validity of these concerns. Comparing states that allow branching to those that don't, comparing branch banks to unit banks in the same state, and comparing banks before and after they become part of a branching system has provided fertile ground for economic analysis. The evidence from these studies is quite conclusive: all four fears about branching are unwarranted."[11]

4. Bank Soundness

Aharony and Swarz (1) measured the effects of the 1970 Amendment to the Bank Holding Company Act (1956) on the profitability and risk of BHC's. Their study compared BHC's and a control group comprised of independent banks. They found no significant differences in performance and no change in relative risk of any of the portfolios. They also examined the impact of non-bank activity expansion and found that changes in risk in the banking industry were not related to non-bank expansion, but rather to the economy itself.

Graddy and Kyle (24) noted that bank holding companies tended to move over a three year period to an improved capital/risk assets ratio. This apparently was the result of improved operations and lower bank acquisition costs.

Mayo (39) noted that the Board has rejected applications when the excessive use of debt at the holding company level made a problem for debt servicing. Nevertheless, he concluded that, "The holding company form offers the financial, product and geographical flexibility and diversification that is beyond the reach of an individual (unit) bank."

5. Public Benefits and Costs

In a study of the potential competition policy of the Federal Reserve Board, Smith (50) noted:

> "The Board of Governors is presently pursuing a relatively strong potential competition policy. While there are costs associated with any of the Board's available alternatives, the potential costs associated with a strong policy appear to be significantly lower than those associated with a weak policy. Moreover, the available empirical evidence, limited as it may be, tends to support the assumption underlying the potential competition doctrine. ...the Board can best serve the public interest by making a firmer commitment to pursue the strong potential competition policy..."[12]

Graham and Rolnick (25) in their study on banking, noted that branching benefited the public because it provided more banking offices, offered a wider range of banking services such as revolving credit, trust services, special checking, payroll services, and foreign exchange services. Weintraub and Jessup (57) and Kohn (33) found that, especially for small banks, branching offered these services more than small unit banks.

In another study, Graham (26) studied the effects of a recently enacted limited branch banking law (1977 to 1981) to see if the new law benefited consumers in the State of Minnesota. He concluded that: "Allowing Minnesota banks some freedom to branch has so far probably benefited consumers: it has given them many more places to bank and it does not appear to have adversely affected the prices and availability of their banking services."

6. Supply of Financial Resources

In most cases, the supply of financial resources to a community would be greater through a multibank holding company than through a unit bank. Sheer size plays an important part but as Mayne (38) showed, BHC's operate as integrated entities. As a result, legal limits on the size of a loan lent directly is not a problem or an effective constraint.

Bank affiliates in one form or another often supply financial resources or services to the community. This would be an added benefit, since, as Mayne pointed out that non-bank affiliates earnings to total bank earnings is small by comparison and hence equity buildup would be slow otherwise.

7. Future Structure, Markets

Banks have come under increasing pressure from other financial institutions. As a result, savings and loan associations, mutual savings banks, and brokerage firms have been allowed entry into financial areas previously largely reserved for commercial banks. In response to this changing environment, many bills continue to be introduced in Congress that would further and more rapidly reduce barriers to complete financial institutional competition than those originally proposed in the Depository Institutions Deregulation and Monetary Control Act. Bills by Senator Garn and by Representative St. Germaine are but two recent examples. The Garn bill, for example, among other provisions would allow banks to underwrite limited types of securities which heretofore had been largely prohibited by the Glass-Steagal Act (1933). Such limited security underwriting however, could take place only in an affiliate. Thus, in order to underwrite, if approved, would require some form of bank holding company anyway. Watkins and West (55) in their examination of bank holding companies concluded, "...Recent developments in financial markets have spurred Congressional interest in deregulation. Bank holding companies are well placed to take advantage of any deregulation of financial activities."

If the multiple facility/affiliate form seems to be best suited for the present and future competition among financial institutions, what form especially as it relates to banking, is apparently the best? Evidence in this area is sketchy; in one related study, though, Savage (47) asked how state branch banking and/or bank holding company laws impacted the economic prospects of new banks. Savage examined the performance of new banks, established in 1967 and 1968, after ten years (in 1977). He looked at such factors as level of deposits, market share and profitability of new banks, and concluded that, "...Except for a small negative impact for statewide branching on new bank market share, state structure laws do not have a statistically significant impact on the viability of new banks." It might be implied from this statement that if new banks are to be chartered--presumably because of need, less concentration, et cetera--they might prosper more in a state that allows the bank holding company form as opposed to statewide branching.

Rhoades and Savage (45) in a similar study, focused on the relative merits of bank holding companies and branch banking in a multimarket system. They examined measures of profitability, operating efficiency, risk and service to the local community. Their results showed no clear cut superiority, however, BHC systems tended to be less risky and have lower costs in some categories of non-interest expenses which was attributable to the fewer offices under the BHC form.

FOOTNOTES*

* (Numbers in parentheses refer to Bibliography)

[1]Rhoades (44, p. 3) in his article on interstate banking noted that, "Although the McFadden Act of 1927 expressly prohibits interstate banking, major banking organizations have established a significant nationwide presence during the past decade. They have done so through institutions that do not perform the basic banking function of accepting deposits and so do not violate the law. ...Moreover, the offices of foreign banks form a de facto interstate network.

[2]Time Magazine (53) p. 67 describes Citicorp's recent proposed acquisition of a California savings and loan institution.

[3]For a good summary of recent legislation on savings and loan see Savings and Loan Association, Fact Book, U.S. Savings and Loan League, 1982.

[4]Wall Street Journal, August 16, 1982, p. 7.

[5]Time Magazine, op.cit., p. 67.

[6]MAYO, (39).

[7]Ibid.

[8]Federal Reserve Bulletin, January 1980, p. 61-4. Also, Federal Reserve Bulletin, August 1982, p. 477, and MAYO (39).

[9]Federal Reserve Bulletin, August 1982, p. 458.

[10]Graham and Rolnick (25), 8.

[11]Ibid, 9.

[12]Smith (50), 23.

BIBLIOGRAPHY

1. Aharony, J. and I. Swarz. "Effects of the 1970 Bank Holding Company Act: evidence from capital markets." Journal of Finance 36 (September 1981), 841-53.

2. Alhadeff, D.A., Monopoly and Competition in Banking. Berkeley: University of California Press. 1954.

3. Allardice, D.R. "Structural Change in Wisconsin in the 1970's." Economics Perspectives, Federal Reserve Bank of Chicago, V (March/April 1981), 13-21.

4. "Illinois Prepares to Live with a New Structure Law (Multibank Holding Companies)." ABA Banking Journal 73 (October 1981), 76.

5. Bell, F.W. and N.B. Murphy. "Costs in Commercial Banking: a quantitative analysis of bank behavior and its relation to bank regulation." Research Report #41, Federal Reserve Bank in Boston, 1968.

6. Benston, George J. "Branch Banking and Economies of Scale." Journal of Finance, 20 (May 1965): 312-31.

7. Black, F., M.H. Miller, and R.A. Posner. "An Approach to the Regulation of Bank Holding Companies." Journal of Business 51 (July 1978), 379-412.

8. Boczar, G.E. "External Growth of Multibank Holding Companies." Journal of Bank Research 11 (Autumn 1980), 147-58.

9. Burns, F., Chairman, Board of Governors of the Federal Reserve System, "Statement Before the Committee on Banking and Currency, U.S. Senate, May 14, 1970. Federal Reserve Bulletin 56 (May 1970), 432.

10. "America's New Financial Structure," Business Week (November 17, 1980), 138-44.

11. Chase, S.B., and J.J. Mingo. "The Regulation of Bank Holding Companies." Journal of Finance 30 (May 1975), 281-92.

12. Clausen, A.W. "Time to Break Down the Barriers?" Bankers Monthly Magazine (June 1979), 20-3.

13. Cornyn, A.G., and T.L. Zearley. "Financial Developments of Bank Holding Companies in 1980." Federal Review Bulletin 67 (June 1981), 473-9.

14. ____________ "Financial Developments of Bank Holding Companies in 1981." Federal Reserve Bulletin 68 (June 1982), 335-44.

15. Curry, T.J. "Pre-acquisition Characteristics of the Banks Acquired by Multibank Holding Companies." Journal of Bank Research 12 (Summer 1981), 82-9.

16. Curry, J., and T. Rose. "Multibank Holding Companies: Recent Evidence on Competition and Performance in Banking Markets." Federal Reserve Bulletin 68:1 (January 1982), 26.

17. Dahl, D.S., S.L. Graham and A. Rolnick. "Looking for Evidence of Noncompetitive Behavior in Minnesota's Banking Structure." Quarterly Review, Federal Reserve Bank of Minneapolis (Fall), 1-7.

18. Drum, D.S. "Holding Company Affiliation and Scale of Economies in Banking." Economic Perspectives 111 (March/April 1979), 21-2.

19. "Edging Towards National Banking in America." The Economist (August 16, 1980), 71-2.

20. Erdevig, E. "District Trends in Banking Concentration." Economic Perspectives, Federal Reserve Bank of Chicago, V (March/April 1981), 6-12.

21. The Bank Holding Company Movement to 1978: A Compendium. A Study by the Staff of the Board of Governors of the Federal Reserve System (September 1978).

22. Garino, David P. "Banks Grab Footholds Out of State, Betting That Restrictions Will End," Wall Street Journal (February 3, 1981), 35.

23. Graddy, D.B., and R. Kyle. "The Simultaneity of Bank Decision-Making, Market Structure and Bank Performance." Journal of Finance 34 (March 1979).

24. Graddy, D.B., and R. Kyle. "Affiliated Bank Performance and the Simultaneity of Financial Decision-Making." Journal of Finance 35 (September 1980), 951-7.

25. Graham, S.L., and A.J. Rolnick. "A Case for Branch Banking in Montana." Quarterly Review, Federal Reserve Bank of Minneapolis 4 (Spring 1980), 8-17.

26. Graham, S.L. "Limited Branching in Minnesota: Its Impact on Banking Consumers." Quarterly Review, Federal Reserve Bank of Minneapolis 5 (Winter 1981), 1-6.

27. Heggestad, A.A. "Riskiness of Investments in Nonbank Activities by Bank Holding Companies." Journal of Economics and Business 27 (Spring 1975), 219-23.

28. Holland, R.C. "Bank Holding Companies and Economic Stability." Journal of Financial and Quantitative Analysis 10 (November 1975), 577-87.

29. Horvitz, P.M. and B. Shull, "The Impact of Branch Banking on Bank Performance." The National Banking Review 2 (December 1964), 143-88.

30. Jessee, M.A. and S.A. Seeling. Bank Holding Companies and the Public Interest. Lexington, Mass: Lexington Books, 1977.

31. Johnson, R.D., and D.R. Meinster. "The Performance of Bank Holding Company Acquisitions: A Multivariate Analysis." Journal of Business (April 1975).

32. Keating, J.T. "Chain Banking in the District." Economic Perspectives, Federal Reserve Bank of Chicago, I (September/October 1977), 15-20.

33. Kohn, Ernest. "Branch Banking, Bank Mergers and the Public Interest." New York State Banking Department, (January 1964).

34. Kolbenschlag, M. "Banking: New Allies and Competitors." Forbes (February 2, 1981), 84.

35. Longbrake, W.A. "Productive Efficiency in Commercial Banking: The Impact of Legal FORM of Organization and Size." Washington D.C. Federal Deposit Insurance Corp. 1973.

36. Lueck, Thomas J. "Sears to Acquire Dean Witter for $607 Million." Wall Street Journal (October 9, 1981), 3.

37. Mayne, L.S. "New Directions in Bank Holding Company Supervision." Banking Law Journal 95 (August 1978), 729-42.

38. Mayne, L.S. "Funds Transfer Between Bank Holding Companies and Their Affiliates." Journal of Bank Research 11 (Spring 1980), 20-7.

39. Mayo, R.P. "Utilizing the Bank Holding Company." Excerpts from a speech printed in Economics Perspectives, Federal Reserve Bank of Chicago, IV (July/August 1980), 3-6.

40. Meinster, D.R. and R.D. Johnson. "Bank Holding Company Diversifications and the RIsk of Capital Impairment." The Bell Journal of Economics 10 (Autumn 1979), 683-94.

41. Mingo, J. "Capital Management and Profitability of Prospective Holding Company Banks." Journal of Financial and Quantitative Analysis (June 1975).

42. Mullineaux, D.J. "Branch Versus Unit Banking: An Analysis of Relative Costs," in Changing Pennsylvania's Laws: An Economic Analysis/Technical Papers, Federal Reserve Bank of Philadelphia, 1973. 171-227.

43. Opper, B.N. "Profitability of Insured Commercial Banks." Federal Reserve Bulletin 68 (August 1982), 453-65.

44. Rhoades, S.A. "Competitive Effects of Interstate Banking." Federal Reserve Bulletin 66 (January 1980), 1-8.

45. Rhoades, S.A. and D.T. Savage. "Relative Performance of Bank Holding Companies and Branch Banking Systems." Journal of Economics and Business 33 (Winter 1981), 132-41.

46. Savage, T. " Developments in Banking Structure, 1970-81." Federal Reserve Bulletin 68 (February 1982), 81.

47. Savage, D.T. "Branch Banking Laws, Deposits, Market Share and Profitability of New Banks." Journal of Bank Research 12 (Winter 1982), 200-6.

48. Schweiger, I., and J. McGee. "Chicago Banking." Journal of Business 34 (July 1961), 203-366.

49. Silverberg, S.C. "Bank Holding Companies and Capital Adequacy." Journal of Bank Research 6 (Autumn 1975), 202-7.

50. Smith, W.S. "The History of Potential Competition in Bank Mergers and Acquisitions." Economic Perspectives, Federal Reserve Bank of Chicago,IV (July/August 1980), 15-23.

51. Snider, Thomas E. "The Effect of Merger on the Lending Behavior of Rural Banks in Virginia." Journal of Bank Research (Spring 1973), 52-7.

52. Stover, R.D. "Single-subsidiary Bank Holding Company." Journal of Bank Research 11 (Spring 1980), 43-50.

53. Time Magazine (August 30, 1982), 67.

54. BankAmerica Corporation Plans to Acquire Charles Schwab for $53 Million in Stock." Wall Street Journal (November 25, 1981), 7.

55. Watkins, T.G. and R.C. West. "Bank Holding Companies: Development and Regulation." Economic Review, Federal Reserve Bank of Kansas City, 67 (June 1982), 3-13.

56. Weberman, Ben. "If It Looks Like a Bank and Acts Like a Bank..." Forbes (September 29, 1980), 33-4.

57. Weintraub, R. and P. Jessup. "A Study of Selected Banking Services by Bank Size, Structure and Location." Domestic Finance SubCommittee, U.S. House Committee on Banking and Currency, November 1964.

58. Whitehead, David D. and B. Frank King. "Multibank Holding Companies and Local Market Concentration." Monthly Review (April 1976), 34-43.