

FEDERAL RESERVE SYSTEM

Sixth Bancshares, Inc.  
Salina, Kansas

Order Approving the Formation of a Bank Holding Company

Sixth Bancshares, Inc. (“Sixth”) has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)<sup>1</sup> to become a bank holding company and to acquire all the voting shares of Geneseo Bancshares, Inc. (“Geneseo”) and control of its subsidiary, The Citizens State Bank, (“CSB”), both of Geneseo, Kansas.

Notice of the proposal, affording interested persons an opportunity to comment, has been published in the Federal Register (70 Federal Register 34,120 (2005)) and locally in accordance with the Board’s Rules of Procedure.<sup>2</sup> The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or that would be in furtherance of an attempt to monopolize the business of banking. The BHC Act also prohibits the Board from approving a bank acquisition that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.<sup>3</sup>

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> 12 CFR 262.3(b).

<sup>3</sup> See 12 U.S.C. § 1842(c)(1).

Sixth is a newly organized corporation that does not control a depository institution and has been formed to acquire Geneseo and CSB. CSB, with total assets of approximately \$5.3 million, is the 334<sup>th</sup> largest banking organization in Kansas, controlling deposits of approximately \$4.9 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.<sup>4</sup> Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval of the proposal.

In acting on proposals under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).<sup>5</sup> CSB received a “Satisfactory” rating at its most recent CRA performance evaluation by the Federal Deposit Insurance Corporation (“FDIC”), as of April 30, 2003. Sixth plans to increase CSB’s products and services and expand its operations into the Salina, Kansas banking market. Sixth also has represented that it will maintain CSB’s existing CRA program for its operations in Geneseo and will institute similar programs in the future for its operations in Salina. Based on all the facts of record, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance record of the relevant depository institution are consistent with approval.

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<sup>4</sup> Asset data are as of June 30, 2005. Deposit data and state rankings are as of June 30, 2004.

<sup>5</sup> 12 U.S.C. § 2901 et seq.

Section 3 of the BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has considered these factors in light of all the facts of record, including information provided by Sixth, confidential reports of examination and other confidential supervisory information from the FDIC, the primary federal supervisor of CSB, and public comments received on the proposal.

In evaluating financial factors in proposals involving newly formed small bank holding companies, the Board reviews the financial condition of both the applicant and the target depository institution. The Board also evaluates the financial condition of the pro forma organization, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

Based on its review of these factors, the Board finds that Sixth has sufficient financial resources to effect the proposal. Sixth proposes to fund this transaction through an offering of equity securities. CSB is well capitalized and would remain so on consummation of this proposal.

The Board also has considered the managerial resources of the applicant, including the proposed management of the organization. The Board has reviewed the examination record of CSB, including assessments of its current management, risk management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant banking agencies with Geneseo, CSB, and the proposed management officials and principal

shareholders of Sixth.<sup>6</sup> The Board also has considered Sixth's plans to implement the proposal, including its proposed expansion of CSB's operations.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of Sixth and CSB are consistent with approval, as are the other supervisory factors under the BHC Act.

Based on the foregoing and after considering all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act. The Board's approval is specifically conditioned on compliance by Sixth with the conditions imposed in this order and the commitments made to the Board in connection with the application and receipt of all other regulatory approvals. For purposes of this transaction, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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<sup>6</sup> The Board received more than 50 comments in support of the proposal. In addition, the Board received a comment from Security Savings Bank, F.S.B. ("Security"), Olathe, Kansas, the former employer of the organizers of Sixth, objecting to the proposal. Among other things, Security expressed concern about the managerial ability of Sixth's organizers and made certain allegations concerning their conduct before and after leaving Security. Sixth's organizers denied the allegations. The Board notes that it has reviewed confidential reports of examination of Security and consulted with the Office of Thrift Supervision, Security's primary federal supervisor, about the managerial record of Sixth's organizers at Security. In addition, the Board has consulted with the Office of the State Bank Commissioner of Kansas, which is considering an application by Sixth to acquire control of CSB. The Board also notes that, to the extent the comment reflects allegations surrounding the end of organizers' employment with Security, the Board does not have jurisdiction to adjudicate disputes about such employment matters.

The proposed transaction may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>7</sup> effective August 1, 2005.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>7</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, and Kohn