

FEDERAL RESERVE SYSTEM

iTeam Companies, Inc.
Brookfield, Wisconsin

Order Approving the Formation of a Bank Holding Company and Notice to Engage in a Nonbanking Activity

iTeam Companies, Inc. (“iTeam”) has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to become a bank holding company by acquiring all the voting shares of Bank of Kenney, Kenney, Illinois. In addition, iTeam has requested the Board’s approval under sections 4(c)(8) and 4(j) of the BHC Act² and section 225.28(b)(14) of the Board’s Regulation Y³ to engage in permissible data processing activities through its subsidiary, iStream Imaging, Inc. (“iStream”), Brookfield, Wisconsin.

Notice of the proposal, affording interested persons an opportunity to comment, has been published in the Federal Register (70 Federal Register 13,031 (2005)). The time for filing comments has expired, and the Board has considered the application and notice and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Applicant is a newly organized corporation formed to acquire Bank of Kenney and engage in data processing activities through iStream. Bank of Kenney, with total assets of approximately \$5.3 million, is the 658th largest

¹ 12 U.S.C. § 1842.

² 12 U.S.C. §§ 1843(c)(8) and 1843(j).

³ 12 CFR 225.28(b)(14).

insured depository institution in Illinois, controlling deposits of approximately \$4 million.⁴

Competitive Considerations

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 in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the Board finds that 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.⁵

iTeam is a newly organized corporation that does not control a depository institution. Based on all the facts of record, the Board has concluded that consummation of the proposed transaction would have no 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.

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act 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, among other things, confidential reports of examination, other confidential supervisory information from the primary

⁴ Asset data are as of June 30, 2005. Deposit data and state ranking are as of June 30, 2004. Ranking data are adjusted to reflect mergers and acquisitions completed through July 29, 2005.

⁵ See 12 U.S.C. § 1842(c)(1).

federal supervisor of Bank of Kenney, the Federal Deposit Insurance Corporation (“FDIC”), the Office of Thrift Supervision, and the Illinois Department of Financial and Professional Regulation, Division of Banks and Real Estate.

In evaluating financial factors in BHC Act proposals involving newly formed small bank holding companies, the Board reviews the financial condition of both the applicant and 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 iTeam has sufficient financial resources to effect the proposal. Bank of Kenney is well capitalized and would remain so on consummation of this proposal. The transaction is structured as a cash purchase. After the proposed acquisition, iTeam plans to inject capital into Bank of Kenney.

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 Bank of Kenney, including assessments of its current management, risk management systems, and operations. In addition, the Board has considered the supervisory experiences of the other relevant banking agencies with Bank of Kenney and the management officials and principal shareholders of iTeam. The Board also has considered iTeam’s plan for the proposed acquisition, including the proposed changes in management at Bank of Kenney after the acquisition.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future

prospects of iTeam and Bank of Kenney are consistent with approval, as are the other supervisory factors the Board is required to consider under the BHC Act.

Convenience and Needs Considerations

In acting on the proposal, the Board is also 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 institution under the Community Reinvestment Act (“CRA”).⁶ The Board has carefully considered all the facts of record, including reports of examination of the CRA performance record of Bank of Kenney, information provided by iTeam, confidential supervisory information, and public comment received on the proposal.

Bank of Kenney received a “Satisfactory” rating at its most recent CRA performance evaluation by the FDIC, as of November 29, 2001. iTeam has represented that it would maintain Bank of Kenney’s CRA program after the proposed acquisition. Additionally, iTeam has represented that after consummation Bank of Kenney would offer an expanded range of mortgage products, in the Kenney area and nationwide, through a planned new mortgage subsidiary. The Board received several comments from individuals concerned that iTeam might close Bank of Kenney’s office in Kenney after the acquisition, which, they asserted, could cause hardship for the community. iTeam represented that it has no current plans to close Bank of Kenney’s office in Kenney.

Based on all the facts of record, the Board concludes that considerations relating to the convenience and needs factor and the CRA

⁶ 12 U.S.C. § 2901 et seq.

performance record of Bank of Kenney are consistent with approval of this proposal.

Nonbanking Activities

iTeam also has filed a notice under sections 4(c)(8) and 4(j) of the BHC Act to engage in data processing activities through iStream. iStream intends to offer check-imaging and check-processing services to merchants. The Board has determined by regulation that financial and banking data processing activities are permissible for a bank holding company under Regulation Y,⁷ and iTeam has committed to conduct these activities in accordance with the limitations set forth in Regulation Y and the Board's orders governing these activities.

To approve the notice, the Board also must determine that the performance of the proposed activities by iTeam "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."⁸ As part of its evaluation of these factors, the Board has considered the financial and managerial resources of iTeam and its subsidiaries, including the background and experience of the proposed principals and senior officers of iTeam and iStream, and the effect of the proposed transaction on those resources. For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has carefully considered the competitive effects of the proposal, which involves de novo entry into the market for check-imaging

⁷ 12 CFR 225.28(b)(14).

⁸ See 12 U.S.C. § 1843(j)(2)(A).

and check-processing services. Commencement of nonbanking activities de novo is presumed under Regulation Y to result in benefits to the public through increased competition in the market for the relevant service.⁹ Based on all the facts of record, the Board concludes that iTeam's proposed nonbanking activities are not likely to have any adverse competitive effects. The Board also has carefully reviewed the public benefits of the proposed nonbanking activities. The proposal is expected to benefit the public by providing iStream customers with a more efficient means of check collection, as well as a wider variety of check-processing services.

The Board concludes that the conduct of the proposed nonbanking activities within the framework of Regulation Y and Board precedent can reasonably be expected to produce public benefits that would outweigh any likely adverse effects. Accordingly, based on all the facts of record, the Board has determined that the balance of the public benefits factor that it must consider under section 4(j)(2) of the BHC Act is consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application and notice should be, and hereby are, 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 iTeam with the conditions imposed in this order and the commitments made to the Board in connection with the application and notice. The Board's approval of the nonbanking aspects of the proposal is also subject to all the conditions set forth

⁹ See 12 CFR 225.26(c).

in Regulation Y, including those in sections 225.7 and 225.25(c),¹⁰ and to the Board's authority to require such modification or termination of the activities of the bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with and to prevent evasion of the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of these actions, 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.

The acquisition of Bank of Kenney may not be consummated before the fifteenth calendar day after the effective date of this order, and no part of the proposal may be consummated 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors,¹¹ effective August 4, 2005.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

¹⁰ 12 CFR 225.7 and 225.25(c).

¹¹ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, and Kohn.