

FEDERAL RESERVE SYSTEM

First Busey Corporation  
Urbana, Illinois

Order Approving the Merger of Bank Holding Companies

First Busey Corporation (“First Busey”), a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act<sup>1</sup> to merge with Main Street Trust, Inc. (“Main Street”) and thereby acquire its subsidiary bank, Main Street Bank & Trust, both of Champaign, Illinois.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (71 Federal Register 76,339 (2006)). 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.

First Busey, with total consolidated assets of approximately \$2.5 billion, controls two subsidiary insured depository institutions that operate in Illinois, Indiana, and Florida: Busey Bank, also in Urbana, and Busey Bank, National Association, Port Charlotte, Florida. First Busey is the 33<sup>rd</sup> largest depository organization in Illinois, controlling deposits of \$1.5 billion, which represent less than 1 percent of total deposits of insured depository institutions in Illinois (“state deposits”).<sup>2</sup>

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> Asset data are as of March 31, 2007, and statewide deposit and ranking data are as of June 30, 2006, and reflect merger activity through May 21, 2007. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

Main Street, with total consolidated assets of approximately \$1.5 billion, controls one insured depository institution that operates only in Illinois. Main Street is the 36<sup>th</sup> largest depository organization in Illinois, controlling deposits of approximately \$1.2 billion.

On consummation of this proposal, and after accounting for the proposed divestiture, First Busey would become the 24<sup>th</sup> largest depository organization in Illinois, controlling deposits of approximately \$2.7 billion, which represent less than 1 percent of state deposits.

### Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposal 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>

First Busey and Main Street have subsidiary depository institutions that compete directly in three markets in Illinois: Bloomington-Normal, Champaign-Urbana, and Peoria.<sup>4</sup> The Board has reviewed carefully the competitive effects of the proposal in each of these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking markets, the relative shares of total deposits in depository institutions in the markets (“market deposits”)

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<sup>3</sup> 12 U.S.C. § 1842(c)(1).

<sup>4</sup> These banking markets are described below and in the appendix.

controlled by First Busey and Main Street,<sup>5</sup> the concentration level of market deposits and the increase in that level as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”),<sup>6</sup> other characteristics of the markets, and commitments made by First Busey to divest five branches of Main Street Bank & Trust in the Champaign-Urbana banking market.

A. Banking Market Warranting Special Scrutiny

First Busey and Main Street compete directly in one banking market, Champaign-Urbana,<sup>7</sup> that warrants a detailed review of the competitive effects of

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<sup>5</sup> Deposit and market share data are as of June 30, 2006, adjusted to reflect subsequent mergers and acquisitions through May 21, 2007, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

<sup>6</sup> Under the DOJ Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The DOJ has stated that the higher-than-normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognize the competitive effects of limited-purpose and other nondepository financial entities.

<sup>7</sup> The Champaign-Urbana banking market is defined as Champaign County; Ford County, excluding Brenton, Mona, Pella, and Rogers townships; Artesia and Loda townships in Iroquois County; Butler, Middlefork, Pilot, Oakwood,

the proposal. First Busey's market share on consummation of the proposal, including proposed divestiture, would exceed 35 percent in this market.

Busey Bank is the largest depository institution in the Champaign-Urbana banking market, controlling deposits of approximately \$1.1 billion, which represent approximately 27 percent of market deposits. Main Street Bank & Trust is the second largest depository institution in the market, controlling deposits of approximately \$538.5 million, which represent approximately 13 percent of market deposits. To reduce the potential adverse effects on competition in the Champaign-Urbana banking market, First Busey has committed to divest five branches of Main Street Bank & Trust that have at least \$110.2 million in total deposits to another insured depository organization in the market.<sup>8</sup> On consummation of the proposed merger, and after accounting for the proposed divestiture, First Busey would remain the largest depository institution in the

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and Vance townships in Vermilion County; Garret, Tuscola, Camargo, Murdock, and Newman townships in Douglas County; Piatt County, excluding Willow Branch and Cerro Gordo townships; Santa Anna township in De Witt County; and Bellflower township in McLean County, all in Illinois.

<sup>8</sup> First Busey has committed that, before consummation of the proposed merger, it will execute an agreement for the proposed divestiture in the Champaign-Urbana banking market with a purchaser that the Board determines to be competitively suitable. First Busey also has committed to complete the divestiture within 180 days after consummation of the proposed merger. In addition, First Busey has committed that, if it is unsuccessful in completing the proposed divestiture within such time period, it will transfer any unsold branches to an independent trustee who will be instructed to sell the branches to an alternate purchaser or purchasers in accordance with the terms of this order and without regard to price. Both the trustee and any alternate purchaser must be deemed acceptable by the Board. See BankAmerica Corporation, 78 Federal Reserve Bulletin 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Bulletin 484 (1991).

market, controlling deposits of approximately \$1.6 billion, which would represent not more than 36 percent of market deposits. The HHI would not increase more than 506 points to 1561.<sup>9</sup>

The application raises special concerns because First Busey, the largest institution in the banking market, proposes to merge with the market's second largest competitor. No other institution controls more than 6 percent of market deposits. The Board has previously recognized that merger proposals involving the largest depository institutions in markets structured like the Champaign-Urbana market warrant close review due to the size of those institutions relative to other market competitors.<sup>10</sup> The Board, therefore, has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would have a significantly adverse effect on competition in the market.<sup>11</sup>

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<sup>9</sup> The calculations of market share and concentration include the weighting at 100 percent of deposits controlled by two thrift institutions in the market. The Board previously has indicated that it may consider the competitiveness of a thrift institution at a level greater than 50 percent of its deposits if competition from the institution closely approximates competition from a commercial bank. See, e.g., BankNorth Group, Inc., 75 Federal Reserve Bulletin 703 (1989). The thrifts in the Champaign-Urbana banking market serve as significant sources of commercial loans and provide a broad range of consumer, mortgage, and other banking products. These thrifts have ratios of commercial and industrial loans to assets of approximately 6 percent and 8 percent, which are comparable to the national average for all commercial banks. Competition from these thrift institutions, therefore, closely approximates competition from commercial banks. See First Union Corporation, 84 Federal Reserve Bulletin 489 (1998).

<sup>10</sup> See Firststar Corporation, 87 Federal Reserve Bulletin 236, 238 (2001).

<sup>11</sup> The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in and resulting level

A number of factors indicate that the increase in concentration in the Champaign-Urbana banking market, as measured by the market share of the combined organization, overstates the potential competitive effects of the proposal in the market. After consummation, and taking into account the proposed divestiture, at least 39 other insured depository institutions would continue to compete in the market. In addition, the proposed divestiture to a banking organization operating in the Champaign-Urbana banking market would strengthen the competitive position of an in-market participant.

The Board notes that two community credit unions also exert a competitive influence in the Champaign-Urbana banking market.<sup>12</sup> Both institutions offer a wide range of consumer products, operate street-level branches, and have memberships open to almost all the residents in the market. In this light, the Board concludes that their activities in this banking market exert sufficient competitive influence that mitigate, in part, the potential competitive effects of the proposal.<sup>13</sup>

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of concentration in a banking market. See NationsBank Corp., 84 Federal Reserve Bulletin 129 (1998).

<sup>12</sup> The Board previously has considered the competitiveness of certain active credit unions as a mitigating factor. See, e.g., Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007); Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006); F.N.B. Corporation, 90 Federal Reserve Bulletin 481 (2004); Gateway Bank & Trust Co., 90 Federal Reserve Bulletin 547 (2004).

<sup>13</sup> The two community credit unions control approximately \$138.8 million in deposits in the market, which represent approximately 2 percent of market deposits on a 50 percent weighted basis. Accounting for the revised weightings of these deposits, First Busey would control approximately 36 percent of market deposits on consummation of the proposal, and the HHI would not increase more than 490 points to 1514.

Moreover, the record of recent entry into the Champaign-Urbana banking market evidences its attractiveness for entry. Since 2002, five depository institutions have entered the market de novo, and nine depository institutions have entered the market by acquisition. Other factors also indicate that the market remains attractive for entry. For example, from 2002 to 2005, the market's average annualized income growth exceeded the average annualized income growth for all metropolitan areas in Illinois.

Based on all the facts of record and for the reasons discussed above, the Board believes that competitive considerations in the Champaign-Urbana banking market are consistent with approval in this case. The Board continues to have concerns, however, about the structure of this banking market and believes that future mergers in the market involving First Busey or its successors in would warrant special consideration. The Board intends to scrutinize carefully any future acquisition proposal that would increase First Busey's market share in the Champaign-Urbana banking market.

B. Banking Markets within Established Guidelines

Consummation of the proposal in the remaining banking markets, Bloomington-Normal and Peoria, would be consistent with Board precedent and within the thresholds in the DOJ Guidelines without divestitures.<sup>14</sup> On consummation of the proposal, the Bloomington-Normal banking market would remain highly concentrated, and the Peoria banking markets would remain unconcentrated. Numerous competitors would remain in both banking markets.

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<sup>14</sup> The effects of the proposal on the concentration of banking resources in these markets are described in the appendix.

### C. Agency Views/Conclusion on Competitive Considerations

The DOJ also has conducted a detailed review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal, taking into account the proposed divestiture, would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the three banking markets where First Busey and Main Street compete directly or in any other relevant banking market. Accordingly, the Board has determined 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 these factors in light of all the facts of record, including confidential reports of examination, other supervisory information from the primary federal and state supervisors of the organizations involved in the proposal, publicly reported and other financial information, and information provided by First Busey.

In evaluating financial factors in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved both on a parent-only and on a consolidated basis, as well as the financial condition of the subsidiary depository institutions and significant

nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has considered carefully the financial factors of the proposal. First Busey, Main Street, and their subsidiary depository institutions currently are well capitalized and would remain so on consummation of the proposal. Based on its review of the record, the Board also finds that First Busey has sufficient financial resources to effect the proposal. The proposed transaction is structured primarily as a share exchange.

The Board also has considered the managerial resources of First Busey, Main Street, and their subsidiary depository institutions. The Board has reviewed the examination records of these institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking laws and with anti-money laundering laws. First Busey, Main Street and their subsidiary depository institutions are considered well managed. The Board also has considered First Busey's plans for implementing the proposal, including the proposed management after consummation.

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

prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors under the BHC Act.

#### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).<sup>15</sup> Busey Bank received an “outstanding” rating at its most recent CRA performance evaluation by the Federal Insurance Deposit Corporation (“FDIC”), as of December 1, 2005.<sup>16</sup> Main Street Bank & Trust received a “satisfactory” rating at its most recent CRA performance evaluation by the FDIC, as of December 1, 2006. After consummation of the proposal, First Busey plans to maintain Main Street Bank & Trust’s CRA policies until Main Street Bank & Trust is merged into Busey Bank. First Busey has represented that consummation of the proposal would allow it to provide a broader range of financial products and services over a larger area. Based on all the facts of record, the Board concludes that considerations relating to the convenience and needs of the community to be served and the CRA performance records of the relevant depository institutions are consistent with approval.

#### Conclusion

Based on the foregoing and 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

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<sup>15</sup> 12 U.S.C. § 2901 et seq.; 12 U.S.C. § 1842(c)(2).

<sup>16</sup> Busey Bank, National Association was rated “satisfactory” by the Office of the Comptroller of the Currency, as of August 2, 2004, when it was doing business as Tarpon Coast National Bank and before its acquisition by First Busey.

factors that it is required to consider under the BHC Act. The Board's approval is specifically conditioned on compliance by First Busey with the conditions imposed in this order and the commitments made to the Board in connection with the application, including the divestiture commitment discussed above. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>17</sup> effective June 14, 2007.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>17</sup> Voting for this action: Chairman Bernanke and Governors Warsh, Kroszner, and Mishkin. Absent and not voting: Vice Chairman Kohn.

**Appendix**

**First Busey/Main Street Banking Markets Consistent with Board Precedent and DOJ Guidelines Without Divestitures**

Data are as of June 30, 2006, and reflect merger activity through May 21, 2007. Deposit amounts are unweighted. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.

**Illinois Banking Markets**

**Bloomington-Normal** – McLean County, and El Paso, Kansas, Panola, and Minonk townships in Woodford County.

|                                      | <b>Rank</b> | <b>Amount of Deposits</b> | <b>Market Deposit Shares (%)</b> | <b>Resulting HHI</b> | <b>Increase in HHI</b> | <b>Remaining Number of Competitors</b> |
|--------------------------------------|-------------|---------------------------|----------------------------------|----------------------|------------------------|--|
| <i>First Busey Pre-Consummation</i>  | 4           | \$242.6 mil.              | 10.1                             | 1238                 | 134                    | 27                                     |
| <i>Main Street</i>                   | 5           | \$158.5 mil.              | 6.7                              |                      |                        |  |
| <i>First Busey Post-Consummation</i> | 2           | \$401.1 mil.              | 16.8                             |                      |                        |  |

**Peoria** – Peoria and Tazewell Counties, and Woodford County, excluding El Paso, Kansas, Panola, and Minonk townships.

|                                      | <b>Rank</b> | <b>Amount of Deposits</b> | <b>Market Deposit Shares (%)</b> | <b>Resulting HHI</b> | <b>Increase in HHI</b> | <b>Remaining Number of Competitors</b> |
|--------------------------------------|-------------|---------------------------|----------------------------------|----------------------|------------------------|--|
| <i>First Busey Pre-Consummation</i>  | 12          | \$123 mil.                | 2.6                              | 859                  | 1                      | 33                                     |
| <i>Main Street</i>                   | 32          | \$10.7 mil.               | 0.2                              |                      |                        |  |
| <i>First Busey Post-Consummation</i> | 12          | \$133.7 mil.              | 2.8                              |                      |                        |  |