

its fundamental duty of undivided loyalty to account beneficiaries. There are flagrant or repeated violations of laws and regulations and significant departures from sound fiduciary principles. Management is unwilling or unable to operate within the scope of laws and regulations or within the terms of governing instruments and efforts to obtain voluntary compliance have been unsuccessful. The severity of noncompliance presents an imminent monetary threat to account beneficiaries and creates significant legal and financial exposure to the institution. Problems and significant risks are inadequately identified, measured, monitored, or controlled and now threaten the ability of management to continue engaging in fiduciary activities.

Asset Management. This rating reflects the risks associated with managing the assets (including cash) of others. Prudent portfolio management is based on an assessment of the needs and objectives of each account or portfolio. An evaluation of asset management should consider the adequacy of processes related to the investment of all discretionary accounts and portfolios, including collective investment funds, proprietary mutual funds, and investment advisory arrangements.

The institution's asset management activities subject it to reputation, compliance and strategic risks. In addition, each individual account or portfolio managed by the institution is subject to financial risks such as market, credit, liquidity, and interest rate risk, as well as transaction and compliance risk. The ability of management to identify, measure, monitor and control these risks is reflected in this rating.

The asset management rating is based upon, but not limited to, an assessment of the following evaluation factors:

- The adequacy of overall policies, practices and procedures governing asset management, considering the size, complexity and risk profile of the institution's fiduciary activities.
- The decision making processes used for selection, retention and preservation of discretionary assets including adequacy of documentation, committee review and approval, and a system to review and approve exceptions.
- The use of quantitative tools to measure the various financial risks in investment accounts and portfolios.
- The existence of policies and procedures addressing the use of derivatives or other complex investment products.
- The adequacy of procedures related to the purchase or retention of miscellaneous assets including real estate, notes, closely held companies, limited partnerships,

mineral interests, insurance and other unique assets.

- The extent and adequacy of periodic reviews of investment performance, taking into consideration the needs and objectives of each account or portfolio.
- The monitoring of changes in the composition of fiduciary assets for trends and related risk exposure.
- The quality of investment research used in the decision-making process and documentation of the research.
- The due diligence process for evaluating investment advice received from vendors and/or brokers (including approved or focus lists of securities).
- The due diligence process for reviewing and approving brokers and/or counter parties used by the institution.

This rating may not be applicable for some institutions because their operations do not include activities involving the management of any discretionary assets. Functions of this type would include, but not necessarily be limited to, directed agency relationships, securities clearing, non-fiduciary custody relationships, transfer agent and registrar activities. In institutions of this type, the rating for Asset Management may be omitted by the examiner in accordance with the examining agency's implementing guidelines. However, this component should be assigned when the institution provides investment advice, even though it does not have discretion over the account assets. An example of this type of activity would be where the institution selects or recommends the menu of mutual funds offered to participant directed 401(k) plans.

Ratings. A rating of 1 indicates strong asset management practices. Identified weaknesses are minor in nature. Risk exposure is modest in relation to management's abilities and the size and complexity of the assets managed.

A rating of 2 indicates satisfactory asset management practices. Moderate weaknesses are present and are well within management's ability and willingness to correct. Risk exposure is commensurate with management's abilities and the size and complexity of the assets managed. Supervisory response is limited.

A rating of 3 indicates that asset management practices are less than satisfactory in relation to the size and complexity of the assets managed. Weaknesses may range from moderate to severe; however, they are not of such significance as to generally pose a threat to the interests of account beneficiaries. Asset management and risk management practices generally need to be improved. An elevated level of supervision is normally required.

A rating of 4 indicates deficient asset management practices in relation to the size and complexity of the assets managed. The levels of risk are significant and inadequately controlled. The problems pose a threat to account beneficiaries generally, and if left unchecked, may subject the institution to losses and could undermine the reputation of the institution.

A rating of 5 represents critically deficient asset management practices and a flagrant disregard of fiduciary duties. These practices jeopardize the interests of account beneficiaries, subject the institution to losses, and may pose a threat to the soundness of the institution.

Dated: October 7, 1998

Keith J. Todd,

Executive Secretary, Federal Financial Institutions Examination Council.

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BILLING CODE 6210-01-P 25%, 6720-01-P 25%, 6714-01-P 25%, 4810-33-P 25%

FEDERAL RESERVE SYSTEM

Change in Bank Control Notices; Acquisitions of Shares of Banks or Bank Holding Companies

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than October 27, 1998.

A. Federal Reserve Bank of Chicago
(Philip Jackson, Applications Officer)
230 South LaSalle Street, Chicago,
Illinois 60690-1413:

I. Steven J. Harms, LeMars, Iowa;
Richard H. Harms, Brunsville, Iowa;
Beth Ann Rollinger, Brunsville, Iowa;
and Carol M. Schmitz, Brunsville, Iowa;
all to retain voting shares of Brunsville Bancorporation, Inc., Brunsville, Iowa, and thereby indirectly retain voting shares of First State Bank, Brunsville, Iowa. Beth Ann Rollinger and Carol M. Schmitz also have applied to acquire more than 25 percent of Brunsville Bancorporation.

2. *Steven J. Harms*, LeMars, Iowa; Richard H. Harms, Brunsville, Iowa; Beth Ann Rollinger, Brunsville, Iowa; and Carol M. Schmitz, Brunsville, Iowa; all to retain voting shares of Merrill Bancorporation, Inc., Merrill, Iowa, and thereby indirectly retain voting shares of Farmers State Bank, Merrill, Iowa.

B. Federal Reserve Bank of Kansas City (D. Michael Manies, Assistant Vice President) 925 Grand Avenue, Kansas City, Missouri 64198-0001:

1. *Walter David Scott, Amy Scott Willer, Sandra Scott Parker, and James A. Hansen*, all of Omaha, Nebraska; and Karen Scott Dixon, Leawood, Kansas; to acquire voting shares of Ashland Bancshares, Inc., Ashland, Nebraska, and thereby indirectly acquire Sapp City Bank, Omaha, Nebraska.

Board of Governors of the Federal Reserve System, October 6, 1998.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 98-27334 Filed 10-9-98; 8:45 am]

BILLING CODE 6210-01-F

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act. Unless otherwise noted, nonbanking activities will be conducted throughout the United States.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of

Governors not later than November 6, 1998.

A. Federal Reserve Bank of Richmond (A. Linwood Gill III, Assistant Vice President) 701 East Byrd Street, Richmond, Virginia 23261-4528:

1. *City Holding Company*, Charleston, West Virginia; to merge with Horizon Bancorp, Inc., Beckley, West Virginia, and thereby indirectly acquire Bank of Raleigh, Beckley, West Virginia; First National Bank of Marlinton, Marlinton, West Virginia; Greenbrier Valley National Bank, Lewisburg, West Virginia; National Bank of Summers, Hinton, West Virginia; and The Twentieth Street Bank, Huntington, West Virginia.

B. Federal Reserve Bank of Atlanta (Lois Berthaume, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303-2713:

1. *Community Spirit Bancshares, Inc.*, Belmont, Mississippi; to become a bank holding company by acquiring 100 percent of the voting shares of Community Spirit Bank, Belmont, Mississippi (in organization).

2. *The Weatherford Foundation of Red Bay, AL, Inc., and Independent Bancshares, Inc.*, both of Red Bay, Alabama; to acquire 100 percent of the voting shares of Community Spirit Bancshares, Inc., Belmont, Mississippi (in organization), and thereby indirectly acquire Community Spirit Bank - Mississippi, Belmont, Mississippi (in organization).

C. Federal Reserve Bank of Chicago (Philip Jackson, Applications Officer) 230 South LaSalle Street, Chicago, Illinois 60690-1413:

1. *CDS Bancorp, Inc.*, Spirit Lake, Iowa; to become a bank holding company by acquiring 100 percent of the voting shares of First Bank & Trust, Spirit Lake, Iowa.

2. *Ida Grove Bancshares, Inc.*, Ida Grove, Iowa; to acquire 90 percent of the voting shares of First State Bank, Churdan, Iowa.

D. Federal Reserve Bank of Kansas City (D. Michael Manies, Assistant Vice President) 925 Grand Avenue, Kansas City, Missouri 64198-0001:

1. *Community Bancshares, Inc., ESOP*, Neosho, Missouri; to acquire an additional 21.72 percent for a pro forma total of 50 percent of the voting shares of Community Bancshares, Inc., Neosho, Missouri, and thereby indirectly acquire Community Bank & Trust, Neosho, Missouri.

Board of Governors of the Federal Reserve System, October 6, 1998.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 98-27333 Filed 10-9-98; 8:45 am]

BILLING CODE 6210-01-F

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies; Correction

This notice corrects a notice (FR Doc. 98-26477) published on page 53058 of the issue for Friday, October 2, 1998.

Under the Federal Reserve Bank of San Francisco heading, the entry for Santa Barbara Bancorp, Santa Barbara, California, is revised to read as follows:

A. Federal Reserve Bank of San Francisco (Maria Villanueva, Manager of Analytical Support, Consumer Regulation Group) 101 Market Street, San Francisco, California 94105-1579:

1. *Santa Barbara Bancorp*, Santa Barbara, California; to merge with Pacific Capital Bancorp, Salinas, California, and thereby indirectly acquire First National Bank of Central California, Monterey, California, and South Valley National Bank, Morgan Hill, California.

Comments on this application must be received by October 29, 1998.

Board of Governors of the Federal Reserve System, October 6, 1998.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 98-27335 Filed 10-9-98; 8:45 am]

BILLING CODE 6210-01-F

FEDERAL RESERVE SYSTEM

Notice of Proposals to Engage in Permissible Nonbanking Activities or to Acquire Companies that are Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y, (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company, including the companies listed below, that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.28 of Regulation Y (12 CFR 225.28) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. The notice also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act.