ENV.

Prepared by: John A. Benson, Vice President, Hills Bank and Trust Company, 131 Main Street, Hills IA 52235 (319-679-2291)

DELAWARE COUNTY IOWA
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DEBORAH L. PEYTON
DELAWARE CO. RECORDER
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AFFIDAVIT REGARDING CORPORATE NAME CHANGE

STATE OF IOWA)
) ss
DELAWARE COUNTY)

We, Dwight O. Seegmiller and John A. Benson, being first duly sworn on oath, depose and state as follows:

1. We are President and Vice President, respectively, of Hills Bank and Trust Company, with principal offices located in Hills, Iowa City, Coralville, and North Liberty, all in Johnson County, Iowa.

2. Dwight O. Seegmiller, further held the office of President for Hills Bank, with principal offices located in Cedar Rapids, Mt. Vernon and Lisbon, all in Linn County, Iowa.

3. From our personal knowledge, we know that Hills Bank, with principal offices located in Cedar Rapids, Mt. Vernon and Lisbon, Linn County, Iowa, merged with and into Hills Bank and Trust Company, effective November 17, 2000, with Hills Bank and Trust Company being the surviving bank in such merger.

4. And, as support for this Affidavit, hereby attach a copy of original Order No. 00-24, in which the Iowa Division of Banking approved said merger.

Dwight O. Seegmiller, President
Hills Bank and Trust Company
131 Main Street
Hills, IA 52235

John A. Benson, Vice President
Hills Bank and Trust Company
131 Main Street
Hills, IA 52235

On this, the 22nd day of November, 2000, before me, a Notary Public in and for said County and State, appeared Dwight O. Seegmiller and John A. Benson, who being by me duly sworn, did state that they are President and Vice President, respectively, of said corporation and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and the said Dwight O. Seegmiller and John A. Benson acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it voluntarily executed.

Peggy L. Bothell
Notary Public in and for the State of Iowa

NOTARIAL SEAL IOWA
PEGGY L. BOTHELL
MY COMMISSION EXPIRES
February 9, 2001

STATE OF IOWA
DEPARTMENT OF COMMERCE
DIVISION OF BANKING

IN THE MATTER OF:	)	ORDER
	)	
APPLICATIONS BY HILLS BANK AND TRUST COMPANY and HILLS BANK	)	No. 00-24
	)	
	)	

STATEMENT OF PROCEEDINGS

On September 1, 2000, Hills Bank and Trust Company, Hills, Iowa ("Hills") and Hills Bank, Cedar Rapids, Iowa ("Hills-CR") filed an application (the "Application") with the Division of Banking for the approval of the merger of Hills-CR into Hills (each a "Bank" and collectively, the "Banks"), with Hills being the resulting united community bank (the "Merger"). On September 6, 2000, the Division of Banking notified Hills and Hills-CR (each a "Bank" and collectively, the "Banks") that the Merger Application was considered acceptable for processing.

On August 8, 2000, the Board of Directors of each Bank approved and adopted the proposed Agreement and Plan of Merger dated August 8, 2000 (the "Plan of Merger"), which provides for the Merger. The sole shareholder of Hills, Hills Bancorporation, which is also through 100 percent ownership of its subsidiaries the sole shareholder and parent holding company of Hills-CR, unanimously approved and adopted the Plan of Merger [by resolution of its board of directors] [at a special meeting held] August 8, 2000.

The Merger is structured as a merger between affiliated banks in order for the resulting state bank, Hills, to utilize the provisions of Iowa Code § 524.1213 (1999), which is the united community bank office section of the Code. Pursuant to the Merger, Hills will be the resulting

"united community bank." Hills has also filed an application with the Superintendent to establish bank offices of the united community bank ("Office Application") at the following locations:

240 Third Avenue, SE, Cedar Rapids, Linn County, Iowa
103 West Main Street, Lisbon, Linn County, Iowa
720 First Avenue South, Mount Vernon, Linn County, Iowa

It is proposed in the Office Application that the Cedar Rapids office listed above will be a "united community bank office" of Hills after the Merger of the Banks pursuant to Iowa Code § 524.1213(3)(b). The Office Application was filed September 12, 2000, and was accepted for processing September 13, 2000.

A. Notices

Notice of the filing of the Merger Application ("Merger Notice") was published on September 13, 2000, and September 20, 2000, in The Gazette, a daily newspaper of general circulation in Linn County, and on September 11, 2000, and September 18, 2000, in the Iowa City Press-Citizen, a newspaper published in Johnson County. The Banks have filed with the Division of Banking the affidavits of the publisher of each newspaper providing proof of publication of the Merger Notice.

The Merger Notice satisfied the publication requirements of Iowa Code §524.1402(4) (1999). The Merger Notice afforded interested persons in Hills and Cedar Rapids an opportunity to submit comments. The Superintendent has not received any comments or requests to be heard with respect to the Merger Application.

Notices of the application by Hills to establish the united community bank office and the bank office ("Office Notices") were published on September 14, 2000, in The Gazette, a daily newspaper of general circulation in Linn County, and the Iowa City Press-Citizen, a newspaper published in Johnson County. The publication of these notices satisfied the requirements of Iowa

law. The Office Notice afforded interested persons in the relevant geographic markets an opportunity to submit comments. The Superintendent has not received any comments or requests to be heard with respect to the Office Application.

B. Legal Requirements

The Superintendent conducted an investigation pertaining to the Applications and prepared an Investigative Report.

On October 12, 2000, the Federal Deposit Insurance Corporation approved the merger application submitted by the Banks.

Prior to the establishment of the united community bank office and the bank office, the proposed merger transaction must be consummated. Iowa Code § 524.1403(1) (1999), states:

> 1. Upon receipt of an application for approval of a merger and of the supporting items required by Section § 524.1402, subsection 3, the superintendent shall conduct such investigation as the superintendent deems necessary to ascertain whether:
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> a. The articles of merger and supporting items satisfy the requirements of this chapter.
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> b. The plan and any modification thereof adequately protects the interests of depositors, other creditors and shareholders.
>
> c. The requirements for a merger under all applicable laws have been satisfied and the resulting state bank would satisfy the requirements of this chapter with respect to it.
>
> d. The merger would be consistent with adequate and sound banking and in the public interest on the basis of the financial history and condition of the parties to the plan, including the adequacy of the capital structure of the resulting state bank, the character of the management of the resulting state bank, the potential effect of the merger on competition and the convenience and needs of the area primarily to be served by the resulting state bank.

Iowa Administrative Code § 187-2.4(3) provides that, in determining whether to approve an

application to establish a bank office, the Superintendent will consider the following factors:

a. Whether the convenience and needs of the public and existing customers of the applicant bank will be served by the proposed office.

b. Whether the population density and other economic characteristics of the area primarily to be served by the proposed office afford reasonable promise of adequate support for the office.

c. Whether the capital structure of the applicant bank is adequate in relation to the costs and anticipated increased business, if any, occasioned by the proposed office.

d. The history of operation and management of the applicant bank.

e. Such other factors as the superintendent may determine are relevant.

C. Vote of the State Banking Board

On October 18, 2000, the State Banking Board and the Superintendent, in open session, considered the Merger Application and the Office Applications, and the Merger Application (collectively, the "Applications"). After discussion and review, the Board voted 6 to 0 to recommend that the Superintendent approve the Applications. The Superintendent took this advisory vote into consideration in making his decision.

FINDINGS OF FACT

The Superintendent has considered the Applications, and the entire record relating thereto, including all comments received, in light of the factors to be considered as set forth above. The Superintendent also has considered the Investigative Report, which comprehensively compiles factual and legal requirements necessary to permit the Superintendent to take action on the Applications.

The Superintendent adopts as Findings of Fact the applicable contents of the Applications, and the Investigative Report, each of which by this reference are deemed to be incorporated herein

as Findings of Fact upon which the Superintendent may make Conclusions of Law and an Order. The Findings of Fact support favorable action by the Superintendent with respect to the Applications.

CONCLUSIONS OF LAW

Based on the foregoing Statement of Proceedings and Findings of Fact, the Superintendent makes the following Conclusions of Law:

1. The Merger Application satisfied all of the statutory and other requirements, including, without limitation, the requirements of Iowa Code § 524.1403(1) (1999).

2. The application for approval of the united community bank offices and bank offices satisfied all of the statutory and other requirements, including, without limitation, the requirements of Iowa Code § 524.1202 and 524.1213 and Iowa Administrative Code § 187-2.4(3).

3. The interests of depositors, other creditors and shareholders will be adequately protected.

4. The financial history and condition of the Banks, including the adequacy of the capital structure of the resulting state bank, the character of the management of the resulting state bank, the potential effect of the merger on competition, and the convenience and needs of the area primarily served by the resulting state bank indicate that the Merger would be consistent with adequate and sound banking and in the public interest.

5. The Banks have reimbursed the superintendent for all the expenses incurred in connection with the application.

Based upon the foregoing, the Superintendent has concluded that all of the foregoing factors and considerations are consistent with approval of the Applications. Accordingly,

approval of the Applications is supported by substantial evidence as found when reviewing the record as a whole. Therefore, the Applications should be approved by the Superintendent.

ORDER

NOW, THEREFORE, the Superintendent hereby approves (a) the Merger Application of Hills Bank to merge with and into Hills Bank and Trust Company, with Hills Bank and Trust Company as the resulting state united community bank; and (b) the Office Application Hills Bank and Trust Company to establish a united community bank office at 240 Third Avenue, SE, Cedar Rapids, and to establish bank offices at 103 West Main Street, Lisbon, and 720 First Avenue South, Mount Vernon, all in Linn County, Iowa. The approvals are subject to the following conditions:

1. The Superintendent will be provided with the required Articles of Merger of the Banks before the Merger of the Banks is consummated.

2. Hills Bank and Trust Company will maintain a ratio of equity capital (less intangible assets) to total assets (less intangible assets and plus or minus the FAS 115 adjustment) of at least six and one-half percent plus a fully funded allowance for loan and lease losses, for at least three years after the consummation of the Merger.

3. The Merger of the Banks shall be consummated within six months from the date of this Order unless a written extension is obtained from the Superintendent.

4. The Superintendent reserves the right to alter, amend, suspend or withdraw the foregoing authorization prior to the consummation of the Merger if an interim development causes the Superintendent to deem such action necessary.

Dated at Des Moines, Iowa, this 23rd day of October, 2000.

Holmes Foster, Superintendent of Banking,
State of Iowa

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