

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WASHINGTON
NORTHERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

WASHINGTON BANCSHARES, INC.;
OLD NATIONAL BANK OF WASHINGTON;
and OROVILLE STATE BANK,

Defendants.

Civil Action No. 3505

Filed: May 25, 1971

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the above-named defendants, and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 4 of the Act of Congress of July 2, 1890, as amended (15 U.S.C. § 4), commonly known as the Sherman Act, and under Section 15 of the Act of Congress of October 15, 1914, c. 323, 38 Stat. 736, as amended (15 U.S.C. § 25), commonly known as the Clayton Act, in order to prevent and restrain the violation by the defendants, as hereinafter alleged, of Sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1 and 2), and of Section 7 of the Clayton Act, 38 Stat. 731, as amended (15 U.S.C. § 18).

2. Each of the defendants has its principal place of business, transacts business and is found within the Northern Division of the Eastern District of Washington.

II

THE DEFENDANTS

3. Washington Bancshares, Inc. (hereinafter referred to as "Bancshares") is made a defendant herein. Bancshares is a registered bank holding company organized under the laws of the State of Washington and maintains its principal place of business in Spokane, Spokane County, Washington.

4. Old National Bank of Washington (hereinafter referred to as "Old National") is made a defendant herein. Old National is a banking association organized under the laws of the United States of America and maintains its principal place of business in Spokane, Spokane County, Washington.

5. Oroville State Bank (hereinafter referred to as "Oroville Bank") is made a defendant herein. Oroville Bank is a banking association organized under the laws of the State of Washington and maintains its principal place of business in Oroville, Okanogan County, Washington.

III

TRADE AND COMMERCE

6. Commercial banks fill an essential and unique role in the nation's economy. Their principal functions are the acceptance of deposits for safekeeping and convenience in making payments by check, the granting of loans or advances of funds to individuals and business firms, and the creation through demand deposits of net additions to the supply of money. Most money payments in the United States are made through checks drawn against demand deposits, and the

creation and holding of such deposits is a function peculiar to commercial banks and one which makes them to a great extent the administrators of the nation's check payment system. Through the making of loans to individuals and businesses, commercial banks supply a significant part of the credit requirements of the nation's economy. Commercial banks also accept time deposits from various types of depositors and provide a wide variety of other financial services, including personal and corporate trust accounts, the collection of drafts, bills and other commercial instruments, the acceptance of bills of exchange, the issuance of letters of credit, the sale of cashier's checks and drafts on correspondent banks, the purchase or sale of securities for customers, the sale of foreign exchange, and the renting of safety deposit boxes. This combination of services is unduplicated by other financial institutions.

7. Customers of Bancshares' subsidiary banks, of Old National and of Oroville Bank have regularly utilized interstate communications, including the mails, telephone and telegraph, to carry on their business with, apply for, and obtain the services provided by these banks. Bancshares' subsidiary banks, Old National and Oroville Bank have regularly utilized interstate communications, including the mails, telephone and telegraph, to conduct business with customers and with other banks located in states other than Washington. Bancshares, Old National and Oroville Bank are engaged in interstate commerce.

8. Old National was organized in 1891. Ninety-eight percent of its capital stock is owned by Bancshares. Old National operates a total of 44 banking offices, including

42 offices in eastern and north central Washington and 2 offices in Seattle. On December 31, 1970, Old National had total assets of about \$356 million, total deposits of about \$317 million and total loans of about \$195 million.

9. Oroville Bank was organized in 1942. It operates its only office in Oroville. On December 31, 1970, Oroville Bank had total assets of about \$7 million, total deposits of about \$6 million and total loans of about \$5 million.

10. Okanogan County lies in north central Washington, bounded by Canada on the north. Oroville is located in the northern part of Okanogan County, about four miles from the Canadian border. Fruit crops and lumbering are the major industries in this area.

11. Old National operates three offices in Okanogan County, including the only bank in Tonasket, about 17 miles south of Oroville. Old National acquired its Tonasket office in the fall of 1970 through merger with the former First National Bank of Tonasket. Prior to that merger substantial portions of the capital stock of Oroville Bank and First National Bank of Tonasket were commonly owned.

12. No other banking office exists in the Oroville-Tonasket area. The nearest banking office is about 23 miles south of Tonasket and 40 miles south of Oroville. At least ten percent of the total deposits and fifteen percent of the total loans of the Tonasket office of Old National originate in the Oroville postal area. Oroville Bank was originally established to serve Oroville customers who were banking with First National Bank of Tonasket. The two banks are in competition with each other for the business of customers located in the Tonasket-Oroville area.

13. Other banks located in the State of Washington are prohibited by state law from opening banking offices in either Oroville or Tonasket.

IV

OFFENSE

14. Defendants Bancshares, Old National and Oroville Bank entered into an agreement on or about November 16, 1970, which will result in the merger of Oroville Bank and Old National under the charter and title of Old National. On April 27, 1971, the Comptroller of the Currency granted approval of the proposed merger.

15. The effect of the merger described in paragraph 14 above will be to create a combination to monopolize and in unreasonable restraint of the above described interstate trade and commerce in violation of Sections 1 and 2 of the Sherman Act, and may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act, in the following ways, among others:

(a) actual competition between defendants Old National and Oroville Bank in the Tonasket-Oroville area will be completely and permanently eliminated; and

(b) the resulting bank will have a monopoly of all banking services offered in the Tonasket-Oroville area.

PRAYER

WHEREFORE, plaintiff prays:


1. That the proposed merger described in paragraph 14 of this complaint be adjudged to be unlawful, in violation of Sections 1 and 2 of the Sherman Act and Section 7 of the Clayton Act.

2. That defendants and all persons acting on their behalf be enjoined from carrying out the aforesaid acquisition agreement, or any similar plan or agreement, the effect of which would be to merge, consolidate, or in any other way combine the businesses of said defendants.

3. That the plaintiff have such other and further relief as the Court may deem just and proper.

4. That the plaintiff recover the costs of this action.


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