



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 5, 2013

Re: Capital Purchase Program –Auctions of Investments in FDIC Regulated Institutions

During the summer of 2012, your bank or designated bidder provided Treasury with an opt-out bid that the bidder would be willing to make in a competitive auction for your Capital Purchase Program (CPP) securities. Over the course of the last year, Treasury has conducted a series of successful auctions of its CPP investments in nearly 150 institutions. Treasury believes that selling these investments can be beneficial to banks that do not have easy access to the capital markets—because it attracts new, private capital to replace the temporary government support banks received through TARP.

Over the last several months, we have been working with the FDIC to develop guidance for the auction of CPP investments in state nonmember banks whose primary federal regulator is the FDIC. The purpose of this letter is to inform you of certain guidance that FDIC staff has provided regarding potential control issues. The approach and methodology will be consistent with the auctions of CPP securities whose primary federal regulator is the Federal Reserve Board (FRB) or Office of the Comptroller of the Currency (OCC).

Generally, we expect that an acquirer will not need to obtain the FDIC's prior formal approval under the Change in Bank Control Act for an acquisition of the CPP securities of a state nonmember bank in a TARP CPP auction, if after the acquisition the acquirer will hold less than 33.3% of the total equity of the bank, and the acquirer

- (i) has submitted to the FDIC passivity commitments acceptable to the FDIC that include a waiver of any right to add a director to the board of the bank,
- (ii) is not acting in concert with any other person or entity,
- (iii) will not hold after the acquisition of the CPP Securities 10% or more of any class of voting stock of the bank or stock that is convertible into voting stock of the bank, and
- (iv) will not as a result of the acquisition otherwise hold the power to direct the management or policies of the bank.

We further understand that the above guidance represents only the views of FDIC staff, is not binding on the FDIC, and is based on the unique circumstances and strong public interest raised by the TARP/CPP program.

Each proposed acquisition of the CPP securities of a state nonmember bank should be discussed with FDIC staff well in advance of bidding to ensure that there are no issues regarding the Change in Bank Control Act and the FDIC's implementing regulations.

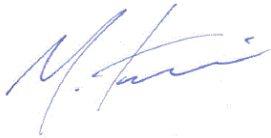
Institutions and investors with specific questions regarding the foregoing should contact:

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As we have previously stated, we'll continue to communicate with you and your institution regularly about the auction process and provide additional information on the procedures moving forward. Treasury or one of its advisors will be reaching out to you soon to discuss this letter and the next steps in the auction process. If you have any questions beforehand, please feel free to contact us at cpp@treasury.gov.

Best regards,

A handwritten signature in blue ink, appearing to read "M. Harris", is positioned above the typed name and title.

Michael Harris
Director of the Capital Purchase Program