



BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 3, 2012

Andrew R. Gladin, Esq.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004

Dear Mr. Gladin:

This is in response to your letter dated December 12, 2011, on behalf of Warburg Pincus,<sup>1</sup> for relief from one of the passivity commitments (“Passivity Commitments”) that it provided to the Board in connection with its 2009 notice to acquire up to 24.9 percent of the outstanding voting shares of Webster Financial Corporation (“Webster”) and its subsidiary bank, Webster Bank, National Association (“Bank”), both of Waterbury, Connecticut.

On October 13, 2009, the Federal Reserve Bank of Boston, under authority delegated by the Board, did not object to the prior notice submitted by Warburg Pincus to acquire up to 24.9 percent of the outstanding voting shares of Webster under the Change in Bank Control Act. In connection with that no-objection determination, Warburg Pincus provided commitments previously relied on by the Board to ensure that a company would not exercise a controlling influence over a banking organization for purposes of the Bank Holding Company Act (“BHC Act”).

The Passivity Commitments included a commitment that Warburg Pincus would not directly or indirectly enter into any banking or nonbanking transactions with Webster. That commitment contained an exception allowing Warburg Pincus and its affiliates to maintain deposit accounts with Webster that

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<sup>1</sup> In this context, “Warburg Pincus” refers to Warburg Pincus Private Equity X, L.P.; Warburg Pincus X, L.P.; Warburg Pincus X Partners, L.P.; Warburg Pincus X, LLC; Warburg Pincus Partners, LLC; Warburg Pincus & Co.; and Warburg Pincus LLC.

would not exceed \$500,000 in the aggregate.<sup>2</sup> Warburg Pincus now requests a modification of its passivity commitments to permit Warburg Pincus or its subsidiaries to enter into nonexclusive transactions on an arm's-length basis with Webster that would not exceed in the aggregate \$1 million annually.

For purposes of the BHC Act, a company has control over another company if the first company (i) directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the other company; (ii) controls in any manner the election of a majority of the directors of the other company; or (iii) directly or indirectly exercises a controlling influence over the management or policies of the other company.<sup>3</sup> The Board's Regulation Y provides a set of rebuttable presumptions of control.<sup>4</sup>

The Board typically has been concerned that a company could exercise a controlling influence over a bank for BHC Act purposes if the company has invested in the organization and has significant business relationships with it. The Board has granted other requestors relief from the commitment limiting banking and nonbanking transactions to allow for *de minimis* business relationships.<sup>5</sup> In this case, the proposed business relationship would represent significantly less than 1 percent of the total consolidated revenue of either Warburg Pincus or Webster. Additionally, any potential business relationship under the requested relief would be nonexclusive and at arm's length, suggesting that neither Warburg Pincus nor Webster would be overly dependent on it.

Based on all the facts of record, the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board under section 265.7(a)(2) of the Board's Rules Regarding Delegation of Authority,<sup>6</sup> and after consulting with the General Counsel, has approved your

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<sup>2</sup> Under the Passivity Commitments, any such deposits must be maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Bank.

<sup>3</sup> 12 U.S.C. § 1841(a)(2); 12 CFR 225.2(e).

<sup>4</sup> See 12 CFR 225.31(d).

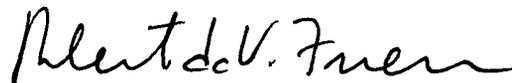
<sup>5</sup> See, e.g., letter dated December 15, 2009, from Scott G. Alvarez, General Counsel, to Andrew S. Baer, Esq. (limiting business relationships to 2.5 percent of gross revenue).

<sup>6</sup> 12 CFR 265.7(a)(2).

request to modify one of the Passivity Commitments to permit Warburg Pincus to engage in the business transactions described above as long as it does not, through those activities or in any other manner, exercise or attempt to exercise a controlling influence over the management or policies of Webster or any of its subsidiaries, including Bank.

This action is based on the representations and commitments set forth in your correspondence. Any change in the facts presented could result in a different conclusion and should be reported to Board staff immediately. This determination should not be construed as granting relief from any other conditions or commitments to which Warburg Pincus may be subject.

Very truly yours,

A handwritten signature in cursive script, reading "Robert deV. Frierson".

Robert deV. Frierson  
Secretary of the Board

Attachment (modified commitments)

cc: Maureen B. Savage, Assistant Vice President  
Federal Reserve Bank of Boston

James C. Smith, Chairman of the Board  
and Chief Executive Officer  
Webster Financial Corporation

Warburg Pincus Private Equity X, L.P., a Delaware limited partnership, its general partner, Warburg Pincus X, L.P., a Delaware limited partnership (“WP X GP”), Warburg Pincus X LLC, a Delaware limited liability company (“WP X LLC”), which is the general partner of WP X GP, Warburg Pincus Partners LLC, a New York limited liability company (“WP Partners”) and sole member of WP X LLC, and Warburg Pincus & Co., a New York general partnership (“WP”) and the managing member of WP Partners, each having a place of business in New York, New York, and any other entity controlled by WP (collectively, “Warburg Pincus”), will not, without the prior approval of the Board of Governors of the Federal Reserve System (“Board”) or its staff, directly or indirectly:

1. Exercise or attempt to exercise a controlling influence over the management or policies of Webster Financial Corporation (“Webster”), Waterbury, Connecticut, or any of its subsidiaries;
2. Have or seek to have more than one representative of Warburg Pincus serve on the board of directors of Webster or any of its subsidiaries;
3. Permit any representative of Warburg Pincus who serves on the board of directors of Webster or any of its subsidiaries to serve (i) as the chairman of the board of directors of Webster or any of its subsidiaries, (ii) as the chairman of any committee of the board of directors of Webster or any of its subsidiaries, or (iii) as a member of any committee of the board of directors of Webster or any of its subsidiaries if the Warburg Pincus representative occupies more than 25 percent of the seats on the committee;
4. Have or seek to have any employee or representative of Warburg Pincus serve as an officer, agent, or employee of Webster or any of its subsidiaries;
5. Take any action that would cause Webster or any of its subsidiaries to become a subsidiary of Warburg Pincus;
6. Own, control, or hold with power to vote securities that (when aggregated with securities that the officers and directors of Warburg Pincus own, control, or hold with power to vote) represent 25 percent or more of any class of voting securities of Webster or any of its subsidiaries;
7. Own or control equity interests that would result in the combined voting and nonvoting equity interests of Warburg Pincus and its officers and directors to equal or exceed 25 percent of the total equity capital of Webster or any of its subsidiaries;
8. Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Webster or any of its subsidiaries;
9. Enter into any agreement with Webster or any of its subsidiaries that substantially limits the discretion of Webster’s management over major policies and decisions, including, but not

limited to, policies or decisions about employing and compensating executive officers; engaging in new business lines; raising additional debt or equity capital; merging or consolidating with another firm; or acquiring, selling, leasing, transferring, or disposing of material assets, subsidiaries, or other entities;

10. Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Webster or any of its subsidiaries;
11. Dispose or threaten to dispose (explicitly or implicitly) of equity interests of Webster or any of its subsidiaries in any manner as a condition or inducement of specific action or nonaction by Webster or any of its subsidiaries; or
12. Enter into any other banking or nonbanking transactions with Webster or any of its subsidiaries, except that Warburg Pincus may: (1) establish and maintain deposit accounts with Webster, provided that the aggregate balance of all such deposit accounts does not exceed \$500,000 and that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Webster; and (2) enter into nonexclusive transactions on an arm's length basis with Webster or any of its subsidiaries that, in aggregate, will not exceed \$1 million annually.

The terms used in these commitments have the same meanings as set forth in the Bank Holding Company Act of 1956, as amended, and the Board's Regulation Y.

Warburg Pincus understands that these commitments were modified in connection with the action taken by the Director of the Division of Banking Supervision and Regulation, after consulting with the General Counsel, to grant Warburg's December 12, 2011 request to modify its previous comments and, as such, may be enforced in proceedings under applicable law.