



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

July 22, 2014

Stephen T. Milligan, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004

Dear Mr. Milligan:

This is in response to your request on behalf of Aquiline Capital Partners LLC, New York, New York (together with its affiliates, “Aquiline”), for an exemption from the prohibition of the Depository Institution Management Interlocks Act (“Interlocks Act”)¹ and the Board’s Regulation L² to permit G. Kennedy Thompson to continue to serve as a director on the boards of Strategic Growth Bank Incorporated and Strategic Growth Bancorp Incorporated (collectively, “SGB”), the top-tier and intermediate holding companies for Capital Bank and First National Bank of Santa Fe,³ while also serving as a director on the boards of BNC Bancorp, High Point, and its subsidiary, Bank of North Carolina, Thomasville, both of North Carolina (collectively, “BNC”).

The Interlocks Act and Regulation L prohibit a management official of a depository institution or a depository holding company with total assets exceeding \$2.5 billion (or of any affiliate of such organization) from serving at the same time as a management official of an unaffiliated depository organization with total assets exceeding \$1.5 billion (or of any affiliate of such an organization), regardless of the location of the two

¹ 12 U.S.C. § 3201 et seq.

² 12 CFR 212 et seq.

³ SGB and Capital Bank are both of El Paso, Texas, and First National Bank of Santa Fe is of Santa Fe, New Mexico.

depository organizations (“major assets prohibition”).⁴ As of year-end 2013, the assets of SGB and BNC each exceed the applicable thresholds of the major assets prohibition.⁵

Under the general exemption provision of Regulation L, the Board may permit an interlock that otherwise would be prohibited by the Interlocks Act if the Board determines that the interlock would not result in a monopoly or in a substantial lessening of competition and would not present safety and soundness concerns.⁶ The Board has delegated to its General Counsel, in consultation with the Director of the Division of Banking Supervision and Regulation (“Director”), authority to grant exemptions under this provision of Regulation L.

The proposed interlock between SGB and BNC would not result in a monopoly or in a substantial lessening of competition. The subsidiary depository institutions of SGB and BNC do not operate in the same banking markets. The interlock also would not have any substantial effect on competition with respect to the nonbanking activities of SGB and BNC.

In addition, the interlock does not present safety and soundness concerns. Mr. Thompson appears to have the background and experience to continue to serve on the boards of SGB and BNC.

The General Counsel has reviewed your request for an exemption from the Interlocks Act and, after consulting with the Director, has determined that the exemption would not result in a monopoly or in a substantial lessening of competition and would not present safety and

⁴ 12 U.S.C. § 3203; 12 CFR 212.3(c).

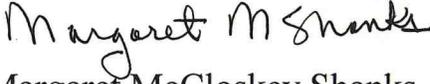
⁵ Mr. Thompson’s simultaneous service began in January 2012 and only became prohibited as of year-end 2013, when SGB’s assets crossed the \$1.5 billion threshold and BNC’s assets remained above \$2.5 billion. Pursuant to Regulation L, because the prohibited interlock resulted from a change in circumstances, Mr. Thompson may continue his simultaneous service for a 15-month transition period beginning on the date that SGB’s year-end consolidated assets triggered the interlock prohibition. See 12 CFR 212.7(b). However, Aquiline seeks a permanent exemption that would authorize Mr. Thompson to continue to serve beyond the permitted transition period.

⁶ 12 CFR 212.6(a).

soundness concerns. Based on the foregoing and all the facts of record, the General Counsel, acting pursuant to authority delegated by the Board, has granted an exemption to allow Mr. Thompson to serve as a director on the boards of SGB while also serving as a director on the boards of BNC.

The management interlock may continue for so long as it does not result in a monopoly or a substantial lessening of competition or present safety and soundness concerns.

Sincerely yours,


Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Robert L. Triplett III, Vice President
Federal Reserve Bank of Dallas