



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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 28, 2009

Paul E. Glotzer, Esq.
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006-1470

Dear Mr. Glotzer:

This responds to your letter dated July 16, 2008, and subsequent correspondence on behalf of BNP Paribas (“BNP”), Paris, France, requesting an extension of time for BNP to hold its investment in Citrus Holdings, Inc. and its subsidiaries (collectively, “Citrus Holdings”), Plaquemines Parish, Louisiana. BNP, a foreign bank that has made an effective election to become a financial holding company (“FHC”), currently holds Citrus Holdings as a merchant banking investment under section 4(k)(4)(H) of the Bank Holding Company Act (“BHC Act”) and Subpart J of the Board’s Regulation Y.¹

Under the merchant banking rules, an FHC generally is permitted to make, as part of a bona fide underwriting or investment or merchant banking activity, an investment in a nonbanking company or other entity that is engaged in an activity not otherwise authorized for an FHC under section 4 of the BHC Act. In general, an FHC may hold a merchant banking investment (other than one held in or through a qualifying private equity fund) for no more than 10 years² but is not permitted to routinely manage or operate the investment.³ The rules also provide for granting an extension of this period if necessary to enable the sale or disposition of the investment on a reasonable basis consistent with the financial viability of the FHC’s merchant banking investment activities.⁴ BNP’s holding period for Citrus Holdings will expire on _____, and BNP has requested an extension of time to hold this investment.⁵

¹ See 12 U.S.C. §1843(k)(4)(H); 12 CFR 225.171 *et seq.*

² 12 CFR 225.172(b)(1).

³ See 12 CFR 225.171.

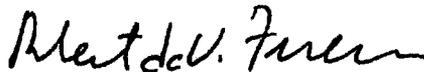
⁴ See 12 CFR 225.172(b)(5).

⁵

BNP has submitted to the Board the information required by 12 CFR 225.172(b)(4). The Board has considered all the information provided, including BNP's average holding period for its merchant banking investments. The record in this case shows that BNP has undertaken good faith efforts to divest its investment in Citrus Holdings within the 10-year holding period set forth in 12 CFR 225.172(b)(1). BNP has substantially reduced the nonfinancial holdings of Citrus Holdings and continues to market the company's remaining nonfinancial assets for possible sale. BNP has represented that it has held this investment in conformity with the requirements of the merchant banking rules and has otherwise complied with the requirements of those rules, including the restrictions on routine management and operation.

Based on the foregoing and all the facts of record, the Board has granted BNP to hold its investment in Citrus Holdings under, and in accordance with, the merchant banking provisions of the BHC Act and the Board's Regulation Y. The Board's action is based on the facts and representations set forth in BNP's request for the extension and related correspondence. Any change in the facts presented could result in a different conclusion and should be reported immediately to Board staff.

Sincerely yours,



Robert deV. Frierson
Deputy Secretary of the Board

cc: Ivan Hurwitz, Vice President
Federal Reserve Bank of New York
William Mark, Lead Examiner
Federal Reserve Bank of Chicago
