



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

December 20, 2017

Mark Chorazak, Esq.  
Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017

Dear Mr. Chorazak:

This letter responds to your request on behalf of Castle Creek Capital Partners V (“Fund V”), Rancho Santa Fe, California, for modification of commitments (“Commitments”) that Fund V and certain of its affiliates and investors<sup>1</sup> (collectively, “Castle Creek”) made to the Board in connection with a notice filed by Castle Creek pursuant to the Change in Bank Control Act<sup>2</sup> to acquire up to 24.9 percent of the voting shares of Guaranty Federal Bancshares, Inc. (“Guaranty”), Springfield, Missouri. The Commitments were intended to ensure that Castle Creek would not exercise or attempt to exercise a controlling influence over Guaranty for purposes of the Bank Holding Company Act of 1956, as amended.

The Commitments provide that Castle Creek may not have or seek to have a representative serve on the board of directors of Guaranty or any of its subsidiaries. Castle Creek seeks a modification of the Commitments to allow it to have or seek to have one representative on Guaranty’s board. Castle Creek has represented that it is in compliance with the Commitments. Castle Creek currently controls 20.8 percent of the voting shares of Guaranty.

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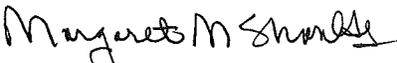
<sup>1</sup> These affiliates and investors are Castle Creek Capital V LLC, Castle Creek Advisors IV LLC, JME Advisory Corp., Legions IV Corp., Mikesell Advisory Corp., Pietrzak Advisory Corp., Scavuzzo Advisory Corp., Volk Advisory Corp., Rana Advisory Corp., Szumski Advisory Corp., Arch Investment Holdings I Ltd., Arch Reinsurance Ltd., Arch Capital Group Ltd., Arizona PSPRS Trust, Mayo Clinic, and Mayo Clinic Master Retirement Trust.

<sup>2</sup> 12 U.S.C. § 1817(j).

Castle Creek's proposal is consistent with Board policies and precedent restricting an investor's ability to exercise a controlling influence over the management or policies of a banking organization. The Board's September 2008 policy statement on equity investments in banks and bank holding companies<sup>3</sup> provides that a minority investor generally should be able to have a single representative on the board of directors of a banking organization without acquiring a controlling influence over that organization's management or policies. Permitting Castle Creek to have a single representative on the board of directors of Guaranty is consistent with that policy. Moreover, Castle Creek would remain subject to all other provisions of the Commitments, including that Castle Creek not exercise or attempt to exercise a controlling influence over Guaranty.

Based on all the facts of record, the Director of the Division of 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>4</sup> and after consulting with the General Counsel, has approved Castle Creek's request for modification of the Commitments to allow Castle Creek to have or seek to have a representative on Guaranty's board.<sup>5</sup> This action is based on the representations and commitments provided in your communications and correspondence related to your request, including the representations discussed above. The commitments are conditions imposed in writing in connection with the Board's decision and, as such, may be enforced in proceedings under applicable law. 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 Castle Creek may be subject.

Very truly yours,

  
Margaret McCloskey Shanks  
Deputy Secretary of the Board

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<sup>3</sup> See <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20080922c.htm>.

<sup>4</sup> 12 CFR 265.7(a)(2).

<sup>5</sup> In addition to allowing Castle Creek to have or seek to have a representative on Guaranty's board, the modification would impose limitations on the director's service on certain of the board's committees.