



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

April 14, 2017

Patricia M. Schaubeck, Esq.  
General Counsel  
Sun Bancorp, Inc.  
350 Fellowship Road, Suite 101  
Mount Laurel, New Jersey 08054

Dear Ms. Schaubeck:

This letter is in response to your request on behalf of Sun Bancorp, Inc. (“Sun”), Mount Laurel, New Jersey, for an exemption from the prohibitions of the Depository Institution Management Interlocks Act (“Interlocks Act”)<sup>1</sup> and Regulation L<sup>2</sup> to permit Mr. James B. Lockhart III to become a director of Sun while at the same time serving as a director on the boards of Cascade Bancorp (“Cascade”) and its subsidiary state nonmember bank, Bank of the Cascades, both of Bend, Oregon.

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 an 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 depository organizations (“major assets prohibition”).<sup>3</sup> Sun, Cascade, and Bank of the Cascades each have assets that exceed the applicable thresholds of the major assets prohibition.

Mr. Lockhart has served as a management official of Cascade and Bank of the Cascades since 2011. Sun requests a general exemption to permit

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<sup>1</sup> 12 U.S.C. § 3201 et seq.

<sup>2</sup> 12 CFR part 212.

<sup>3</sup> 12 U.S.C. § 3203; 12 CFR 212.3(c).

Mr. Lockhart to be a director of Sun while serving as a management official of Cascade and Bank of the Cascades.<sup>4</sup>

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.<sup>5</sup> While the Board applies a strong presumption against granting a general exemption, the Board has granted exemptions in certain limited situations. The Board has delegated to its General Counsel, in consultation with the Director of the Division of Supervision and Regulation (“Director”), authority to grant exemptions under this provision of Regulation L.

The proposed interlocks would not result in a monopoly or in a substantial lessening of competition. The subsidiary depository institutions of Sun and Cascade do not operate in the same local banking markets.<sup>6</sup> The interlocks also would not have any substantial effect on competition with respect to the nonbanking activities of Sun and Cascade.

In addition, the interlocks do not present safety and soundness concerns. Sun contends that Mr. Lockhart will provide knowledge and advice regarding the financial services industry, regulatory compliance, and corporate governance as a representative on the board of Sun.

Based on all the facts of this case and for the reasons discussed above, the General Counsel, acting pursuant to authority delegated by the Board and after consultation with the Director, has granted an exemption to allow Mr. Lockhart to serve as a director of Sun while also serving as a director of Cascade and Bank of the Cascades.

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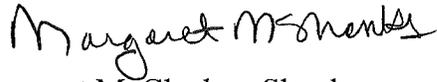
<sup>4</sup> Mr. Lockhart’s service as a management official of Sun Bank while at the same time serving as a management official of Cascade and Bank of the Cascades is also subject to approval by the Office of the Comptroller of the Currency (“OCC”). The OCC approved Sun Bank’s request by letter dated March 10, 2017.

<sup>5</sup> 12 CFR 212.6(a).

<sup>6</sup> Sun operates in New Jersey. Cascade operates in Idaho, Oregon, and Washington. Sun represents that Cascade has agreed to merge with and into First Interstate BancSystem, Inc. (“First Interstate”), Billings, Montana, at some point in 2017. First Interstate operates in Montana, South Dakota, and Wyoming. Sun does not have any overlapping banking markets with Cascade or First Interstate.

The Board reserves the right to revoke the exemption should the interlocks result in a monopoly or in a substantial lessening of competition or present safety and soundness concerns.

Sincerely yours,

A handwritten signature in black ink that reads "Margaret McCloskey Shanks". The signature is written in a cursive style with a large initial 'M' and a long, sweeping underline.

Margaret McCloskey Shanks  
Deputy Secretary of the Board