



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

SCOTT G. ALVAREZ
GENERAL COUNSEL

May 3, 2017

Campbell White, Esq.
White & White, Attorneys, LLP
Three Fountain Square
P.O. Box 98
Covington, IN 47932

Dear Mr. White:

This is in response to your letter to the Federal Reserve Bank of Chicago, dated April 27, 2017, and received on April 28, requesting a waiver from an application requirement under the Bank Holding Company Act of 1956, as amended (“BHC Act”),¹ for Piper Holdings, Inc. (“Piper Holdings”), Covington, Indiana, a bank holding company, to acquire The Farmers State Bank (“Farmers State Bank”), a stand-alone state member bank, Brookston, Indiana.

The purpose of the proposed transaction is to facilitate the merger of Farmers State Bank with and into Piper Holdings’ wholly-owned subsidiary state non-member bank, The Fountain Trust Company, Covington, Indiana. The transaction would occur as follows: (1) Piper Holdings would establish an Indiana-chartered interim bank, Fountain Trust Merger Bank, as a wholly-owned subsidiary for the purpose of facilitating the transaction; (2) Fountain Trust Merger Bank would merge with and into Farmers State Bank, with Farmers State Bank as the resulting entity (“First Merger”); and (3) immediately thereafter, Farmers State Bank would merge with and into The Fountain Trust Company, with The Fountain Trust Company as the resulting entity (“Second Merger,” and collectively with the First Merger, the “Bank Merger”). You have indicated that Farmers State Bank would exist as a wholly-owned subsidiary of Piper Holdings for only a moment in time and that Piper Holdings would never operate Farmers State Bank as a separate entity.

¹ 12 U.S.C. § 1841 et seq.

Section 3 of the BHC Act and the Board's Regulation Y require the approval of the Board before a bank holding company may acquire direct or indirect ownership or control of a bank.² Through the transaction described above, Piper Holdings would acquire direct ownership of Farmers State Bank. Accordingly, Piper Holdings would be required to obtain the Board's approval under section 3 of the BHC Act and Regulation Y before acquiring Farmers State Bank.

In certain circumstances, however, in order to avoid duplication of regulatory review by federal banking regulators, the Board's rules provide that a bank holding company seeking to acquire shares or control of a bank need not obtain the Board's prior approval. Specifically, section 225.12(d)(2) of the Board's Regulation Y provides that a bank holding company need not obtain the Board's approval if the transaction is subject to review by a federal banking agency under section 18(c) of the Federal Deposit Insurance Act ("the Bank Merger Act"),³ and meets certain other criteria.⁴ Your proposal meets all of the applicable criteria, and Piper Holdings has provided all necessary information.

The proposed Bank Merger requires the prior approval of the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act.⁵ In acting on the merger proposal, the FDIC must consider the impact the acquisition would have on competition, the financial and managerial resources and future prospects of the combined organization, the convenience and needs of the communities served by Piper Holdings and Farmers State Bank, the institutions' records of performance under the Community Reinvestment Act, the institutions' effectiveness in combating money laundering activities, and risks to the stability of the United States banking or financial system.⁶ These criteria are substantially similar to the criteria the Board would consider under section 3 of the BHC Act.⁷

² 12 U.S.C. § 1842(a); 12 CFR 225.11.

³ 12 U.S.C. § 1828(c).

⁴ 12 CFR 225.12(d)(2).

⁵ 12 U.S.C. § 1828(c). The Fountain Trust Company filed a Bank Merger Act application, dated April 28, 2017, with the FDIC, requesting prior approval of the Bank Merger. Piper Holdings has provided the Board with a copy of the application.

⁶ 12 U.S.C. §§ 1828(c)(5) & (11), 2902(3)(E), 2903(a)(2).

⁷ See 12 U.S.C. § 1842(c); 12 CFR 225.13.

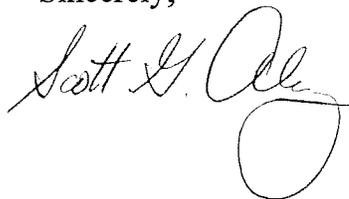
Additionally, at no time would Farmers State Bank operate as a separate subsidiary bank of Piper Holdings. Following the transaction, the separate corporate existence of Farmers State Bank would cease, and The Fountain Trust Company would continue to operate as a state non-member bank. Under these circumstances, review of the transaction under section 3 of the BHC Act would be duplicative of the review under the Bank Merger Act.

Based on a review of these and other facts presented, the Legal Division believes that no regulatory purpose would be served by requiring Piper Holdings to file a formal application under section 3 of the BHC Act. The Legal Division, therefore, would not recommend that the Board take action to require a filing of a formal application by Piper Holdings in connection with the transaction described above. This opinion is subject to the receipt by Piper Holdings, The Fountain Trust Company, The Fountain Trust Merger Bank, and Farmers State Bank of all other necessary regulatory approvals and compliance with any terms and conditions that may be imposed upon approval of the proposal.

This opinion is based on all the facts and representations presented to Federal Reserve staff. Any material change in those facts or representations should be communicated immediately to Federal Reserve staff and may cause this opinion to be reconsidered. This opinion is limited to this proposal and does not apply to any other transaction.

If you have any questions regarding this matter, please contact Derald Seid at (202) 452-2246 or Jason Shafer at (202) 728-5811, of my staff.

Sincerely,

A handwritten signature in cursive script, appearing to read "Scott G. Allen". The signature is written in black ink and is positioned below the word "Sincerely,".

cc: Federal Deposit Insurance Corporation