



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

SCOTT G. ALVAREZ
GENERAL COUNSEL

July 27, 2017

Lynne M. McMahan, Esq.
Of Counsel
Barnes & Thornburg, LLP
11 South Meridian Street
Indianapolis, Indiana 46204

Dear Ms. McMahan:

This is in response to your letter to the Federal Reserve Bank of Chicago¹ requesting a waiver from an application requirement under the Bank Holding Company Act of 1956, as amended (“BHC Act”),² for Horizon Bancorp (“Horizon”), Michigan City, Indiana, a financial holding company, to acquire Lafayette Community Bancorp (“LC Bancorp”), a bank holding company, and LC Bancorp’s wholly owned state nonmember bank subsidiary, Lafayette Community Bank (“LC Bank”), both of Lafayette, Indiana.

The purpose of the proposed transaction is to facilitate the merger of LC Bank with and into Horizon’s wholly owned state nonmember bank subsidiary, Horizon Bank (“Horizon Bank”), Michigan City, Indiana. The transaction would occur as follows: (1) LC Bancorp would merge with and into Horizon, with Horizon as the surviving entity; and (2) immediately thereafter, LC Bank would merge with and into Horizon Bank, with Horizon Bank as the surviving entity (“Bank Merger”). You have indicated that the transaction steps would occur in immediate succession and that Horizon would not operate LC Bank as a separate entity.

Section 3 of the BHC Act and the Board’s Regulation Y require the approval of the Board before the merger or consolidation of bank holding companies and before a bank holding company may acquire direct or indirect ownership or control of

¹ Your letter, dated July 13, 2017 and received on July 14, was accepted for processing effective July 25 after receipt of additional information required for processing.

² 12 U.S.C. § 1841 *et seq.*

more than 5 percent of the voting shares of a bank.³ Through the transaction described above, Horizon would merge with LC Bancorp and acquire control of LC Bank. Accordingly, Horizon would be required to obtain the Board's approval under section 3 of the BHC Act and Regulation Y.

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 merge with another bank holding company or acquire 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"),⁴ and meets certain other criteria.⁵ Your proposal meets all of the applicable criteria, and Horizon has provided all necessary information.

The proposed merger of LC Bank with and into Horizon Bank requires the prior approval of the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act.⁶ 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 LC Bank and Horizon 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.⁷ These criteria are substantially similar to the criteria the Board would consider under section 3 of the BHC Act.⁸

³ 12 U.S.C. § 1842(a); 12 CFR 225.11.

⁴ 12 U.S.C. § 1828(c).

⁵ 12 CFR 225.12(d)(2).

⁶ 12 U.S.C. § 1828(c). Horizon Bank filed a Bank Merger Act application dated June 26, 2017, with the FDIC, requesting prior approval of the Bank Merger. Horizon has provided the Board with a copy of the application.

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

⁸ See 12 U.S.C. § 1842(c); 12 CFR 225.13. LC Bank is located only in Indiana, the home state of Horizon. See 12 U.S.C. § 1841(o)(4). The acquisition therefore is not considered an interstate acquisition for purposes of section 3(d) of the BHC Act. See 12 U.S.C. § 1842(d).

Additionally, at no time would LC Bank operate as a separate subsidiary of Horizon. Following the Bank Merger, the separate corporate existence of LC Bank would cease, and Horizon Bank would continue to operate as a state nonmember 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 Horizon 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 Horizon in connection with the transaction described above. This opinion is subject to the receipt by Horizon, Horizon Bank, LC Bancorp, and LC 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 blue ink that reads "Scott G. Allen". The signature is written in a cursive style. Below the signature is a large, empty blue circle, likely a placeholder for a stamp or a mark.

cc: Federal Deposit Insurance Corporation