



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

NOV 6 2018

Steven J. Eisen, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
211 Commerce Street, Suite 800
Nashville, Tennessee 37201

Dear Mr. Eisen:

The Board of Governors of the Federal Reserve System (“Board”) has reviewed the notice (“Notice”) filed under the Change in Bank Control Act of 1978¹ (“CIBC Act”) by Mr. Gaylon M. Lawrence, Jr. (“Notificant”) of Memphis, Tennessee, to acquire up to 15 percent of the outstanding voting shares of CapStar Financial Holdings, Inc. (“CapStar”), the sole owner of CapStar Bank (“Bank”), a state member bank, both of Nashville, Tennessee.²

The CIBC Act requires the Board to review notices in light of specific statutory factors, including the competitive effects of the proposal; the financial condition

¹ 12 U.S.C. § 1817(j).

² The CIBC Act and section 225.41(a) of the Board’s Regulation Y generally require written notice before a person acquires control of a state member bank or bank holding company. 12 U.S.C. § 1817(j)(1); 12 CFR 225.41(a). A person is presumed to acquire control of a bank or bank holding company if the person acquires 10 percent or more of any class of voting securities of a bank or bank holding company that has registered securities under section 12 of the Securities Exchange Act of 1934. 12 CFR 225.41(c)(2)(i). CapStar has registered securities under section 12 of the Securities Exchange Act of 1934.

Notificant acquired approximately 10.2 percent of CapStar prior to submitting the Notice. Notificant states that his failure to provide notice prior to acquiring more than 10 percent of CapStar was unintentional and was in part based on misunderstanding a conversation with Board staff that occurred prior to filing the Notice. Notificant states that he will be diligent in ensuring compliance with the CIBC Act in the future. After Notificant filed the Notice, CapStar issued additional shares pursuant to the exercise of a stock option by a third party and Notificant now owns less than 10 percent of CapStar.

of the acquiring person and the future prospects of the institution; the potential adverse effects of the proposal on the Deposit Insurance Fund; and the competence, experience, and integrity of the acquiring person.³ In reviewing the statutory factors, the Board has considered information provided by Notificant, including information regarding Notificant's financial resources and banking experience, and the size of the proposed investment in CapStar. The Board also has considered other relevant information, including examination reports and other confidential supervisory information regarding CapStar and Bank, and information provided by Bank's primary state supervisor, the Tennessee Department of Financial Institutions ("Tennessee Department").

The Board has considered the Notice in light of all the statutory factors. With regard to the competitive effects of the proposal, the Board has concluded that Notificant's proposed interest in CapStar would not result in a monopoly or lessening of competition. As for the financial condition of Notificant and the future prospects of Bank, the Board has determined that Notificant's financial condition is not likely to jeopardize the financial stability of Bank or prejudice the interests of Bank's depositors. Based on its review of the record, the Board finds that Notificant has sufficient financial resources to make the proposed investment. Further, the Board has not determined that the proposed investment would result in an adverse effect on the Deposit Insurance Fund.

The Board investigated Notificant's competence, experience, and integrity. The Board received a comment objecting to the Notice on grounds related to the competence, experience, and integrity of Notificant. Although the commenter lacks standing to participate in CIBC Act proceedings, and comments on a notice filed pursuant to the CIBC Act are for informational purposes only,⁴ the Board nevertheless considered the issues raised by the commenter.

The commenter argued that Notificant lacks sufficient competence, experience, and integrity, primarily because the nonbank companies owned by Notificant ("Nonbank Entities") are an association for purposes of the Bank Holding Company Act of 1956, as amended ("BHC Act")⁵ and control one or more of the banks or bank holding companies wholly owned by Notificant ("Bank Entities") in violation of the BHC Act; that one Nonbank Entity controls one or more of the Bank Entities in violation of the BHC Act; that Notificant falsely represented in filings with the Securities and Exchange Commission ("SEC") that Notificant has not acquired shares of CapStar in order to control CapStar; and that Notificant has provided inaccurate or incomplete information to Federal Reserve System staff.

³ 12 U.S.C. § 1817(j)(7).

⁴ 12 CFR 225.43(c)(7).

⁵ 12 U.S.C. § 1841 *et seq.*

The Board has stated that the BHC Act “compels an understanding of association as not merely a group of individuals but a structured and somewhat formal entity.”⁶ The Board has found an association existed when multiple companies were bound together in a common enterprise to each purchase less than 5 percent of the same bank holding company and were incapable of independent action because of the common ownership and control exercised over the purchasing companies by one individual.⁷ The Board also has found an association where a group of investors was bound together for the purpose of acquiring a single block of shares of a company by an agreement that established a formalized structure among the investors.⁸

The Board has considered the commenter’s allegations and the facts of record in the case, including information provided by Notificant concerning the management and operation of the Bank Entities and Nonbank Entities owned by Notificant and information provided by other relevant banking authorities. Based on its review of the record, the Board finds that the Nonbank Entities do not form an association for purposes of the BHC Act that controls any of the Bank Entities; that no Nonbank Entity controls any Bank Entity; and that Notificant has the necessary competence, experience, and integrity to acquire the interest in CapStar.⁹ In particular, the Board considered Notificant’s experience in owning banks and bank holding companies, the financial and supervisory condition of the Bank Entities, and commitments provided by Notificant, a copy of which is attached to this letter. The Board also consulted with the Tennessee Department and the other Federal banking agencies, which did not object to the Notice.

Based on all the facts of record, including information provided by other relevant banking authorities, the Board has determined not to disapprove the Notice for

⁶ Letter from Theodore E. Allison, Secretary of the Board, to John P. Roemer, Wickert & Fuhrman (Sept. 13, 1977).

⁷ Letter from Theodore E. Allison, Secretary of the Board, to William C. Beaman, Clerk for the U.S. District Court for the District of Wyoming (Nov. 17, 1978).

⁸ Letter from James McAfee, Associate Secretary of the Board, to John D. Hawke, Jr., Arnold Porter (Sept. 13, 1982).

⁹ Regarding the commenter’s concern that Notificant is in violation of Federal securities law, the Board notes that Notificant has not been found by the SEC or a court of competent jurisdiction to have violated such law. Notificant also has submitted notice to acquire no more than 15 percent of CapStar. Notificant would have to provide additional notice to the Board to acquire in excess of 15 percent of CapStar. Regarding the commenter’s assertion that the Notificant has provided inaccurate or incomplete information to Federal Reserve staff, the Board notes that Notificant has provided a significant amount of information and responded satisfactorily to requests by the Board’s staff for additional information.

Notificant to acquire up to 15 percent of CapStar. This determination is based on the representations made by Notificant in connection with the Notice and in related correspondence. This action is also based on the commitments provided in connection with the Notice. The commitments constitute conditions imposed in writing in connection with the Board's decision and, as such, may be enforced in proceedings under applicable law. Any material change in the facts and representations could result in a different conclusion and should be immediately reported to staff at the Federal Reserve Bank of Atlanta ("Reserve Bank").

The CIBC Act requires that, when a change in control occurs, an insured bank or bank holding company shall report promptly to the appropriate federal banking agency any changes or replacement of its chief executive officer or of any director occurring in the next twelve-month period and include in the report a statement of the past and current business and professional affiliations of the new chief executive officer or directors.¹⁰ The Board would appreciate your cooperation in ensuring that, if any change in control occurs, the required information is submitted to the Reserve Bank by CapStar.

Very truly yours,

(signed) Ann E. Misback

Ann E. Misback
Secretary of the Board

Attachment

cc: Tennessee Department of Financial Institutions

¹⁰ 12 U.S.C. § 1817(j)(12).

In connection with the notice (“Notice”) by Mr. Gaylon M. Lawrence, Jr. (“Notificant”) to own more than 10 percent of CapStar Financial Holdings, Inc., Nashville, Tennessee, pursuant to the Change in Bank Control Act of 1978, as amended (“CIBC Act”),¹ Notificant makes the following commitments to the Board of Governors of the Federal Reserve System (“Board”) with respect to each Bank Entity² and each Nonbank Entity.³ Except as otherwise provided, all terms in these commitments have the same meanings as set forth in the Bank Holding Company Act of 1956 (“BHC Act”), as amended, and the Board’s Regulation Y.⁴

Notificant will provide these commitments to each Bank Entity and will make best efforts to ensure that Bank Entities comply with these commitments.

Without the prior approval of the Board or its staff:

- (1) Nonbank Entities will not own, control, or hold with power to vote, directly or indirectly, any ownership interest in any Bank Entity.
- (2) No person other than the directors, management, or shareholders of each Bank Entity will make policy decisions with respect to the policies, management, or operations for that Bank Entity. No Bank Entity will share confidential supervisory information of the Bank Entity with any person other than the directors, officers, and employees of the Bank Entity or the parent holding company of the Bank Entity, unless authorized by subpart C of the Board’s rules regarding availability of information.
- (3) No affiliated person⁵ of any Nonbank Entity will hold any ownership interest in any Bank Entity except for Notificant; Notificant’s immediate family; and, only to the extent required by law, the two directors described in commitment 5. No affiliated person of any Nonbank Entity will have any policy making authority

¹ 12 U.S.C. § 1817(j).

² For purposes of these commitments, a “Bank Entity” is any insured depository institution or insured depository institution holding company in which Notificant directly or indirectly owns or controls, now or in the future, 25 percent or more of any class of voting securities, including, but not limited to, the companies listed in Appendix A.

³ For purposes of these commitments, a “Nonbank Entity” is any company other than a Bank Entity in which Notificant directly or indirectly owns or controls, now or in the future, 25 percent or more of any class of voting securities, including, but not limited to, the companies listed in Appendix B. Notificant will provide an updated list of each Nonbank Entity on an annual basis to each Bank Entity and the appropriate Federal Reserve Bank for each Bank Entity.

⁴ 12 U.S.C. § 1841 *et seq.*; 12 CFR part 225.

⁵ For purposes of these commitments, an “affiliated person” of a company is a full- or part-time employee, officer, director, member, manager, representative, agent, or associate, or any person who is a partner, advisor, or who has any decision-making authority over the policies, management, or operations of the company.

with respect to the policies, management, or operations of any Bank Entity except for Notificant; Notificant's immediate family; and the two directors described in commitment 5.

- (4) No affiliated person of any Bank Entity will acquire any ownership interest in, or have any policy making authority with respect to the policies, management, or operations of any Nonbank Entity except for Notificant and Notificant's immediate family.
- (5) No more than two directors on the board of directors of any Bank Entity, in addition to Notificant, will be affiliated persons of a Nonbank Entity, provided that such directors (not including Notificant) do not serve:
 - a. as the chairman of the board of directors of any Bank Entity;
 - b. as the chairman of any committee of the board of directors of any Bank Entity; or
 - c. as a member of any committee that has the authority or practical ability to unilaterally make (or block the making of) policy or other decisions that bind the board or management of any Bank Entity.
- (6) No Nonbank Entity or staff of a Nonbank Entity will select or contract with third party service providers on behalf of any Bank Entity except that a Nonbank Entity may select or contract with a third party service provider on behalf of a Bank Entity if (i) the Bank Entity has independently selected and contracted with the Nonbank Entity to be a sponsoring organization for an employee benefit plan, and (ii) the Nonbank Entity is selecting or contracting with the third party service provider for services related to the employee benefit plan.
- (7) For purposes of transactions between a Bank Entity that is an insured depository institution holding company and Nonbank Entities that are not subsidiaries of the Bank Entity, sections 23A and 23B of the Federal Reserve Act and the Board's Regulation W⁶ will apply to the Bank Entity in the same manner and to the same extent as if the Bank Entity were a member bank as defined in Regulation W.
- (8) No Nonbank Entity will establish or maintain a deposit account with any Bank Entity in an amount that exceeds 10 percent of the Bank Entity's total deposits as determined at the end of the most recent quarterly reporting period.
- (9) No Nonbank Entity will share a physical location with a Bank Entity. Personnel of Bank Entities will not work in the physical location of any Nonbank Entity, and personnel of Nonbank Entities will not work in the physical location of any Bank Entity, except that (i) directors of any Bank Entity that are affiliated persons of a Nonbank Entity may work in the physical location of and only to conduct

⁶ 12 U.S.C. §§ 371c, 371c-1; 12 CFR Part 223.

business related to the Bank Entity for which the affiliated person is a director, (ii) personnel of Bank Entities may work in the physical location of a Nonbank Entity solely to meet as part of a group that periodically meets to advise Notificant, and (iii) the board of directors of a Bank Entity may meet at a Nonbank Entity solely for meetings of the board of directors conducted in accordance with the Bank Entity's charter and bylaws.

- (10) Nonbank Entities will not engage in common advertising or marketing with any Bank Entity. Bank Entities will not be described as members of The Lawrence Group in any public document or website.
- (11) Neither Notificant nor any Nonbank Entity will enter into any agreements among themselves to exercise a controlling influence over any Bank Entity, including, but not limited to, any agreements regarding the voting or transfer of shares of any Bank Entity.
- (12) No Executive officer or employee of any Bank Entity will be compensated for services provided to the Bank Entity by any party other than the Bank Entity to which the executive officer or employee provides services. No director of any Bank Entity will receive director fees for services provided to the Bank Entity from any party other than the Bank Entity for which the director serves as a director. Nonbank Entities will not compensate executive officers or employees of, or pay the director fees for directors of, any Bank Entity for services provided to the Bank Entity.

Nothing in these commitments releases Notificant, Bank Entities, and Nonbank Entities from compliance with the BHC Act, CIBC Act, or the Home Owners' Loan Act, as amended, 12 U.S.C. § 1461 et seq., and any regulations thereunder for any subsequent acquisition or increase in the percentage ownership of any class of voting shares of any Bank Entity.

Notificant understands that these commitments constitute conditions imposed in writing in connection with the Board's findings and decisions related to the Notice, and, as such, may be enforced in proceedings under applicable law.

Gaylon M. Lawrence, Jr.

Signature

Date:

Appendix A**Entities that are part of “Bank Entities”**

- Tennessee Bank & Trust, Nashville, Tennessee
- Farmers Bancorp, Inc., Blytheville, Arkansas
- Farmers Bank and Trust Company, Blytheville, Arkansas
- F&M Financial Corporation, Clarksville, Tennessee
- F&M Bank, Clarksville, Tennessee
- Piggott Bankstock, Inc., Piggott, Arkansas
- Piggott State Bank, Piggott, Arkansas
- First Malden Bancshares, Inc., Malden, Missouri
- First Missouri Bank of SEMO, Malden, Missouri
- FMS Bancorp, Inc., Poplar Bluff, Missouri
- First Missouri State Bank, Poplar Bluff, Missouri
- First Missouri State Bank of Cape County, Cape Girardeau, Missouri

Appendix B

Entities that are part of "Nonbank Entities"

- Western Star Risk Management Corporation, Nashville, Tennessee

[REDACTED]

- Lawrence Gateway LLC, Nashville, Tennessee

[REDACTED]

- 1201 Partners LLC, Nashville, Tennessee

[REDACTED]

- RMH-EP, LLC, Nashville, Tennessee
- Lawrence IL Holdings LLC, Nashville, Tennessee

[REDACTED]

- Lawrence Land Holdings LLC, Clayton, Missouri

[REDACTED]

- G.M. Lawrence and Company, Wilson, Arkansas

[REDACTED]

- Premier Citrus LLC, Vero Beach, Florida

[REDACTED]

- Premier Citrus Management Investments, LLC, Vero Beach, Florida



- US Air Conditioning Distributors LLC, City of Industry, California



- Heitz Wine Cellars, St. Helena, California

