



**Conditional Approval #1119
March 2015**

February 6, 2015

Mr. Robert E. Trautmann
Senior Executive Vice President & General Counsel
People's United Bank
850 Main Street
Bridgeport, CT 06604

Re: Application by People's United Bank, Bridgeport, Connecticut to convert from a Federal Savings Bank to a National Bank with the title People's United Bank, National Association

OCC Control Numbers: 2014-NE-Conversion-140175 Charter No: 25103
2014-NE-Fiduciary-141352
2014-NE-Subs&Equities-141353
RI-2014-0085

Dear Mr. Trautmann:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the application by People's United Bank, Bridgeport, Connecticut (PUB or Applicant) to convert from a federal savings bank to a national bank with the title People's United Bank, National Association (PUBNA). The OCC hereby approves the application, filed on November 20, 2014, by PUB, pursuant to 12 C.F.R. §§ 163.22(b)(2) and 163.22 (h)(2)(ii) to convert from a federal stock savings bank to a national bank. The OCC also hereby grants conditional approval for PUBNA to retain all of PUB's branches and certain subsidiaries and investments, and to exercise fiduciary powers, as explained in more detail below. These approvals are granted after a thorough evaluation of the application, other materials you have supplied, and other information available to the OCC, including commitments and representations made in the application and by the Applicant's representatives during the application process. These approvals are also subject to the condition set out herein.

This approval is subject to the following special condition:

The OCC determined that Bio Ventures Investors, Worcester Venture Fund, and Massachusetts Venture Equity Fund do not qualify as public welfare investments pursuant to 12 U.S.C. § 24(Eleventh) and 12 C.F.R. Part 24. In these instances, the OCC will permit PUB a reasonable divestiture period after conversion, not to exceed two years, so that PUB may be able to resolve nonconforming investments without hardship.¹

¹ See Corporate Decision 97-14 (March 4, 1997).

Accordingly, within two years of the conversion, PUBNA must divest of Bio Ventures Investors, Worcester Venture Fund, and Massachusetts Venture Equity Fund, or conform their activities with applicable national banking law with respect to such activity.

The condition of this approval is a condition “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the meaning of 12 USC 1818. As such, the condition is enforceable under 12 USC 1818.

Background

PUB is a federal savings bank with branches in Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and New York. PUB is a wholly owned subsidiary of People's United Financial, Inc. (“People's”), a savings and loan holding company.² PUB seeks approval to convert to a national bank, and following the conversion, to retain its main office and branches, to retain several of its subsidiaries and other investments, and to exercise fiduciary powers.

Legal Authority

1. Conversion to a national bank charter

The conversion of PUB to a national bank is legally authorized under 12 C.F.R. § 5.24. In accordance with Section 5.24, in deciding a conversion application the OCC takes into account whether the institution can operate safely and soundly as a national bank in compliance with applicable laws, regulations, and policies.³ The OCC's regulations also provide that an application may be denied, if a significant supervisory, Community Reinvestment Act, or compliance concern exists with the applicant; approval is inconsistent with applicable law regulation or policy; or the applicant fails to provide necessary information that the OCC has requested. Further, a conversion application may be denied if the conversion would permit the applicant to circumvent supervisory action by its current regulator.⁴

The OCC conducted a thorough review of the conversion application in light of the factors set forth above. We determined that the results of this review are consistent with approval of the conversion application. Therefore, the OCC hereby approves the conversion of PUB to a national bank. Following conversion, PUBNA will continue to operate PUB's main office in Bridgeport, Connecticut as PUBNA's main office.

2. Retention of branch after conversion

Upon consummation of PUB's conversion to a national bank, PUBNA is authorized to retain all of PUB's branches. Pursuant to Section 341 of the Dodd-Frank Act, codified at 12 U.S.C. § 5451:

² People's filed an application with the Federal Reserve Bank of New York (“Reserve Bank”) seeking approval to become a bank holding company. The Reserve Bank approved the application on December 16, 2014.

³ 12 C.F.R. § 5.24(d)(1).

⁴ 12 C.F.R. §5.24(d)(1).

Notwithstanding the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.), the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.), or any other provision of Federal or State law, a savings association that becomes a bank may -

- (1) continue to operate any branch or agency that the savings association operated immediately before the savings association became a bank; and
- (2) establish, acquire, and operate additional branches and agencies at any location within any State in which the savings association operated a branch immediately before the savings association became a bank, if the law of the State in which the branch is located, or is to be located, would permit establishment of the branch if the bank were a State bank chartered by such State.⁵

Therefore, the OCC hereby approves PUBNA's retention of all of PUB's branches.⁶

3. Retention of subsidiaries and investments following conversion

Based on the information and representations provided in the application, PUBNA may retain the following entities as operating subsidiaries or service corporations pursuant to the authority noted:⁷

- ARA Company – An operating subsidiary formed to assist in borrower asset verification primarily for asset-based loan customers. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(B);
- Black River Investment Fund, LLC – Formed as a vehicle to facilitate new market tax credit investment. Legal authority: 12 CFR § 24.3;
- People's Capital and Leasing Corp. – a wholly owned subsidiary. Engages in commercial equipment financing activities (loans and equipment leases) on a nationwide basis. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(C);
- PCLC Vessel Owner I, Inc., a subsidiary of People's Capital and Leasing Corp. Formed as a special purpose entity in connection with financing provided by parent secured by ships mortgage. Holds one operating lease. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(A);
- People's Securities, Inc. – a wholly-owned subsidiary. Provides retail securities brokerage services, investment advisory services, and acts as a broker for life

⁵ 12 U.S.C. § 5451. Pursuant to section 2, paragraph 18 of the Dodd-Frank Act, the term "bank" has the same meaning as in 12 U.S.C. § 1813 and therefore includes a national bank. See 12 U.S.C. § 1813(a)(1).

⁶ In its Conversion application, PUB certifies that each branch location is permissible for a branch of a national bank.

⁷ In addition to providing information on each of the operating subsidiaries in exhibits to the conversion application at the time of filing, PUB provided additional information and submitted the certifications required under 12 C.F.R. § 5.34(e)(5)(i).

insurance, long-term care insurance, and annuity products to retail customers.
Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(I), (N), (P), (T);

- People's United Insurance Agency, Inc. – a wholly-owned subsidiary. Insurance brokerage in all lines, including property, casualty, worker's comp, disability, executive liability, life and health. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(P);
- People's United Equipment Finance Corp. – a wholly-owned subsidiary. Engages in equipment financing activities (loans and equipment leases) on a nationwide basis. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(C);
- Montgomery County Property Acquisition Corporation – a subsidiary of People's United Equipment Finance Corp. Holds, manages and disposes of collateral acquired by foreclosure or similar means in full or partial resolution of commercial loans. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(A);
- People's Mortgage Investment Company – a wholly owned subsidiary formed to obtain favorable tax treatment under Connecticut law, holds title to and services loans secured by real estate in Connecticut. Operates as a “passive mortgage investment company.” Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(A);
- PB Real Estate, Inc. – a wholly owned subsidiary. Formed to hold ownership interests in subsidiaries used in connection with OREO management activities. Owns 100% of capital stock or membership interest in 9 OREO management subsidiaries. Legal authority for these subsidiaries: 12 C.F.R. § 5.34(e)(5)(v)(A).
- Chittenden Commercial Finance, Inc. – a wholly owned subsidiary. No new lending activities. Portfolio is in run-off mode (1 loan) to be dissolved once last loan is paid off or charged off. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(C);
- People's United Commercial Asset Holdings, LLC – a service corporation. Formed to facilitate compliance with “commercial asset test” under HOLA, holds portfolio of loans not secured by real estate. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(A);
- ONB Realty Corp. – a wholly owned subsidiary that holds real estate and related improvements in Maine and New Hampshire for use in the normal course of business as bank offices or branches. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(A);
- BOWM Securities Corporation – a wholly owned Massachusetts subsidiary created for tax purposes to hold investment portfolio of the former Bank of Western Massachusetts; currently holds one agency FHLMC note. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(A);
- MSB Real Estate Corp. – a wholly owned subsidiary. Holds real estate and related improvements in Connecticut for use in normal course of business as bank offices or branches. Legal authority: 12 C.F.R. § 5.34(e)(5)(v)(A);
- People's United Merchant Services Holdings, LLC – a service corporation. No direct activities; formed and operated as a “service corporation” under applicable OCC thrift regulations. Owns 49% share of People's United Merchant Services, LLC. Legal authority: 12 U.S.C. § 24(7).

Therefore, the OCC hereby approves PUBNA's retention of PUB's subsidiaries and investments.

4. Retention of non-controlling interests

The Applicant requests permanent retention of an indirect, non-controlling equity interest in a merchant processing joint venture. The OCC previously determined that a national bank can engage through a subsidiary in a non-controlling merchant processing joint venture arrangement, provided certain conditions are met.⁸ PUB included in its application the information that would be required for an application to establish or acquire a non-controlling interest pursuant to 12 C.F.R. § 5.36(e). As of September 30, 2014 the Bank is "well capitalized" within the meaning of 12 C.F.R. § 6.4 and "well managed" within the meaning of 12 C.F.R. § 5.34(d)(3). As discussed in the application, PUB's loss exposure with respect to the investment is limited as a matter of law and PUB does not have unlimited liability for losses associated with the joint venture. The joint venture will be subject to OCC supervision and examination, in accordance with any requirements or limitations imposed under Federal law. For these reasons, the OCC approves PUB's request for PUBNA's permanent retention of the joint venture non-controlling interest.

5. Community Development Investments

The Applicant has requested permission to retain 74 community and economic development investments, with a book value totaling \$71,553,061 and unfunded commitments totaling \$27,266,130, as public welfare investments pursuant to 12 U.S.C. § 24(Eleventh) and 12 C.F.R. Part 24. These investments include the following:

- Sixty-eight investments, with a book value of \$67,872,838 and unfunded commitments of \$27,146,130, in funds that provide financing for affordable housing projects involving Federal Low Income Housing Tax Credits. Those funds support projects located in New Hampshire, Maine, Maryland, Massachusetts, New York, and Vermont.
- Three investments, with a book value of \$222,864 and unfunded commitments of \$120,000, in entities that are Community Development Financial Institutions (CDFIs), which have been certified by the U.S. Department of Treasury's CDFI Fund. The CDFIs operate in Maine.
- One investment with a book value of \$2,964,000 and \$0 in unfunded commitment, in the Black River Produce, an entity that provides financing in connection with Federal New Markets Tax Credits. Black River Produce operates in Vermont.
- One investment with a book value of \$300,000 and \$0 in unfunded commitment, in the MHIC LLC, a fund that was formed by the Massachusetts Housing Investment Corporation to finance affordable housing and community development activities that serve lower income populations, distressed communities, and other community development needs that are not well served by conventional financing. The fund operates in Massachusetts.
- One investment with a book value of \$193,359 and \$0 in unfunded commitment, in the Brook Venture Fund II LP, a fund that was formed by the Vermont Economic Development Authority, which invests through a lower tier investment fund, Brook

⁸ See Conditional Approval 248, June 27, 1997.

Venture Fund II A, LP, which is a Small Business Investment Company that is certified by the U.S. Small Business Administration. The fund's purpose is to invest in expansion stage entrepreneurial companies and recapitalizations and operates in Vermont.

The Applicant attests that each of the investments, described above, comply with the public welfare, primary beneficiary requirement of 12 C.F.R. § 24.3 by primarily benefitting low- and moderate-income individuals or areas, areas targeted by a governmental entity for redevelopment, or that the investments would be considered as a "qualified investment" under 12 CFR 25.23 of the Community Reinvestment Act. The Bank also attests that each of the investments, described above, comply with the investment limit requirements of 12 C.F.R. § 24.4 and do not expose the bank to unlimited liability.

Further, the percentage of PUB's capital and surplus represented by its total, aggregate investments and outstanding commitments that are the subject of this transaction will be approximately 2.12 percent. In no event shall PUB's aggregate public investments and commitments under 12 C.F.R. Part 24 and 12 U.S.C. § 24 (Eleventh) exceed 15 percent of its capital and surplus. If requested by the OCC, the Bank will provide reports concerning its public welfare investments.

Consequently, PUB's retention of the 74 community and economic development investments after consummation of the conversion will promote the public welfare consistent with 12 U.S.C § 24 (Eleventh) and 12 C.F.R. Part 24 and may be retained. The response set forth in this letter is based on information and representations provided to us by the Bank. Any change in the nature, amount, or purpose of the Bank's community and economic development investments could result in a different response being rendered concerning the conformance of those investments with 12 U.S.C § 24 (Eleventh) and 12 C.F.R. Part 24.

6. Exercise of fiduciary powers

The Applicant currently provides fiduciary services and PUBNA seeks to exercise fiduciary powers following its conversion. OCC regulations adopted under 12 U.S.C. § 92a provide that a national bank may act in a fiduciary capacity in any state. In doing so, it may engage in any of the eight fiduciary capacities listed in 12 U.S.C. § 92a(a), unless the state prohibits its own fiduciaries from acting in that capacity and, in addition, it may act in any other fiduciary capacity permitted by the state for its own state fiduciaries. While acting in a fiduciary capacity in one state, it may market its fiduciary services to, and act as a fiduciary for, customers located in any state and it may act as fiduciary for relationships that include property located in other states through trust offices and trust representative offices that it may establish in any state.

The Applicant requests approval to provide, following its conversion to a national bank charter, full fiduciary services with trust offices in Connecticut, Maine, Massachusetts, New Hampshire, New York, and Vermont. The conversion application includes a statement that the capital and surplus of PUBNA is not less than any minimum capital and surplus requirements imposed by the relevant state law on state banks, trust companies, and other corporations exercising comparable fiduciary powers. PUB has also provided an opinion of counsel stating that PUBNA's proposed conduct of fiduciary activities would not be in contravention of state law in

the states in which it proposes to act in a fiduciary capacity. Therefore, the OCC hereby approves the request for fiduciary powers.

Conclusion

If the conversion is not consummated within six months from the date of the decision, the approval will automatically terminate unless the OCC grants an extension of the time. The OCC is opposed to granting extensions, except under the most extenuating circumstances and expects the conversion to occur as soon as possible.

This conditional approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our conditional approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend, or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

Consummation Guidance

Please refer to the Conversions booklet of the Comptroller's Licensing Manual for the steps and requirements to be completed prior to converting. In addition to other matters addressed in the Conversions booklet, you are reminded that the following items must be satisfactorily addressed on or before the effective date of the conversion:

1. The Applicant must ensure that all other required regulatory approvals, non-objections, or waivers have been obtained.
2. Applicant must notify the OCC if the facts described in the filing materially change at any time prior to consummation of the conversion. Any changes to the executive officers or directors must receive a prior "no objection" from the OCC.
3. The directors must own qualifying shares in conformance with 12 U.S.C. § 72 and 12 C.F.R. § 7.2005.
4. Applicant represented that it intends to maintain its membership in the Federal Home Loan Bank (FHLB) system. If, at any time, the Applicant ceases to be a member of the FHLB system, it must use its best efforts, including contacting the appropriate FHLB or the Federal Housing Finance Board, to dispose of any stock in the FHLB. The OCC will consider this stock a nonconforming asset for any period that the Applicant is not a member of the FHLB system.
5. Applicant must maintain liquidation accounts established when it converted from mutual to stock form.

People's United Bank
OCC Control Number: 2014-NE-140175

6. Upon completion of all steps required to convert to a national banking association, Applicant must submit the "Conversion Completion Certification" (enclosed) certifying that all of the steps required to convert PUB to a national banking association have been completed. Please provide the OCC with at least 10 days advance notice of the conversion.

When the institution satisfactorily completes all of the above steps, the OCC will issue a Conversion Completion Acknowledgment officially authorizing the institution to commence business as a national banking association. Shortly after conversion, you will receive the charter certificate.

The *Comptroller's Licensing Manual* is available in electronic form on our Web site <http://www.occ.gov/publications/publications-by-type/licensing-manuals/index-licensing-manuals.html>, as are a number of other relevant booklets.

All correspondence regarding this application should reference the conversion application control number. If you have any questions, please contact Senior Licensing Analyst Sandya Reddy at (212) 790-4055 or email sandya.reddy@occ.treas.gov.

Sincerely,
/s/ Beverly Evans for

Stephen A. Lybarger
Deputy Comptroller for Licensing