



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

July 17, 2014

Mr. Stuart Merzer
Paulson & Co. Inc.
1251 Avenue of the Americas
New York, New York 10020

Dear Mr. Merzer:

This is in response to your letter dated April 23, 2014, on behalf of Paulson & Co. Inc. (“Paulson”), New York, New York, requesting relief from commitments (“Commitments”) that Paulson Capital Inc.; Paulson 2006 Family Trust; Paulson Management II LLC; Paulson Management III LLC; Paulson Management IV LLC; Paulson Advisors II LLC; Paulson Management Special GP, LLC; Paulson Recovery Fund Ltd.; Paulson Recovery Fund (Mezzanine), L.P.; Paulson Recovery Fund L.P.; Paulson Recovery Master Fund Ltd.; and their subsidiaries and affiliates (collectively, the “Paulson entities”) made in connection with their acquisition of approximately 7.37 percent of the outstanding voting shares of State Bank Financial Corporation (“State Bank Financial”), Atlanta, Georgia. The Commitments were consistent with commitments on which the Board previously has relied in determining that a company did not control another company for the purposes of the Bank Holding Company Act (“BHC Act”) and the Board’s Regulation Y. The Paulson entities seek relief from the Commitments on the basis that they are no longer necessary to prevent them from exercising a controlling influence over State Bank Financial.

For purposes of the BHC Act, a company is deemed to have control over another company if the first company (i) directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the other company; (ii) controls in any manner the election of a majority of the directors of the other company; or (iii) directly or indirectly exercises a controlling influence over the management or policies of the other company.¹ A company is presumed not to exercise a


¹ 12 U.S.C. § 1841(a)(2); 12 CFR 225.2(e).

controlling influence over the management or policies of the other company if the first company owns, controls, or has the power to vote less than 5 percent of any class of voting securities of the other company.²

The Paulson entities provided the Commitments to ensure that they would not exercise or attempt to exercise a controlling influence over State Bank Financial. The Paulson entities have since sold all their shares of State Bank Financial and, therefore, are presumed not to control State Bank Financial. The Paulson entities do not have a right to, and do not have, representation on the board of directors of State Bank Financial. The Paulson entities also do not have, nor do they contemplate having, any business relationships with State Bank Financial. The Paulson entities have acknowledged that they may not exercise or attempt to exercise a controlling influence over State Bank Financial without the prior approval of the Board, even if relieved from the Commitments.

Based on all the facts of record, the director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board under section 265.7(a)(2) of the Board's Rules Regarding Delegation of Authority,³ and after consulting with the General Counsel, has approved Paulson's request on behalf of the Paulson entities for relief from the Commitments. This action is based on the representations and commitments set forth in your submission of April 23, 2014, and in all subsequent correspondence related to this request. Any change in the facts presented could result in a different conclusion and should be reported to Board staff immediately.

Very truly yours,


Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Chapelle Davis, Assistant Vice President
Federal Reserve Bank of Atlanta

² 12 U.S.C. § 1841(a)(3); 12 CFR 225.31(e).

³ 12 CFR 265.7(a)(2).