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SENSITIVE

A. Dwight Utz
President
Chief Executive Officer

December 20, 2010

PRE-MUR # 513

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2010 DEC 28 PM 12:09
OFFICE OF GENERAL
COUNSEL

Mr. Christopher Hughey
Acting General Counsel
Office of General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

RE: Political Action Committee Solicitations

Dear Mr. Hughey:

This letter concerns a possible violation of the Federal Election Commission's regulations regarding solicitations conducted by a trade association's political action committee ("PAC"). I do not know if the FEC would discover this situation during a review of PAC reports, but I think it is important to report my involvement. The relevant facts are:

1. I am the President and Chief Executive Officer of ECB Bancorp, Inc. ("Bancorp") and its wholly owned subsidiary, The East Carolina Bank ("ECB"). I first began work at Bancorp and ECB during June 2009, after serving as an executive in an unrelated bank.
2. Bancorp is a bank holding company headquartered in Engelhard, North Carolina, and ECB is a state chartered community bank with 24 branches covering eastern North Carolina. You may read more about Bancorp and ECB on our investor relations website: <http://ir.myecb.com/>.
3. ECB is a member of several financial services trade associations, including the American Bankers Association, the Independent Community Bankers of America ("ICBA"), and the North Carolina Bankers Association ("NCBA"). ECB's state regulator is the North Carolina Commissioner of Banks and its primary federal regulator is the FDIC.
4. Neither Bancorp nor ECB have a corporate PAC. The NCBA and ICBA are trade associations that do have affiliated PACs.
5. During the fourth quarter of 2009, the ICBA PAC sought my authorization to solicit contributions from ECB executives during each of the years from 2010 through 2014. I provided the authorization during the fourth quarter of 2009. At that time, I was not aware of the prohibition on multiple trade association PACs soliciting a single member company.

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6. During October 2010, I received a request from the NCBA to authorize the NCBA PAC to solicit ECB's executives for contributions. A copy of the authorization form is attached. The PAC form included signature lines authorizing solicitation activities for each of the years from 2011 through 2015. The authorization form also included a notice that member banks could not authorize solicitations by more than one trade association PAC. I first became aware of the prohibition on simultaneous authorizations when I read this notice.

7. After learning about the multiple PAC prohibition, I immediately began an investigation of whether the NCBA PAC previously had been authorized to solicit contributions from ECB's executives. During or about October 2010, I determined that, during 2005, my predecessor had authorized the NCBA PAC to solicit contributions for the years 2006 through 2010. I was not aware of that prior authorization when I signed the authorization for the ICBA PAC to solicit ECB's executives, and I did not knowingly violate the prohibition on simultaneous authorizations for trade association PAC solicitations.

8. Upon learning that two trade association PACs had been authorized to solicit contributions during the same year, I began corrective action by notifying the treasurers for both PACs and terminating my authorization for the ICBA PAC.

9. After investigating the situation further, I determined that neither PAC had directly contacted Bancorp or ECB executives to solicit contributions. Instead, internal company communications to those eligible to contribute had encouraged executives to contribute to the trade association PAC. Copies of the communications are attached.

10. The NCBA PAC and the ICBA PAC were erroneously authorized to solicit contributions simultaneously from the fourth quarter of 2009, when I signed the authorization for the ICBA PAC, until October 2010, when I terminated my authorization for the ICBA PAC.

11. I was the only person from Bancorp or ECB to make a contribution to the ICBA PAC during 2010. I made a \$100.00 contribution during February 2010.

12. During the period that both PACs were authorized to solicit contributions, the NCBA PAC received contributions from Bancorp and ECB executives totaling \$3,050.00.

13. I have directed the Bancorp and ECB compliance officer to establish internal controls and procedures designed to prevent a recurrence of the problem and also monitor PAC contributions for compliance with applicable law and regulation. Specifically, I have instituted a system that monitors PAC authorizations and reports such authorizations to the Board of Directors whenever the PAC solicitation authorization letter is signed by the President/Chief Executive Officer. We intend to institutionally monitor authorizations and contributions to assure necessary compliance.

Overall, several factors mitigate the severity of this possible violation. First, the simultaneous authorization of the NCBA PAC and the ICBA PAC was inadvertent. At

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the time I authorized the ICBA PAC, I did not know that my predecessor had authorized the NCBA PAC nearly five years earlier. Second, I was the only person to make a contribution to the ICBA PAC. Third, I immediately investigated the situation upon learning of a possible problem. Fourth, I initiated corrective action that included terminating authorization for one of the PACs and implementing internal controls that will help avoid the problem in the future. Finally, I am providing this information to you voluntarily with the intention of fully cooperating with the FEC.

In conclusion, I request that the FEC treat the simultaneous authorization of the two trade association PACs as an accidental or inadvertent solicitation of Bancorp and ECB employees that should not be deemed a violation of applicable regulation. Alternatively, if the FEC determines that a violation likely did occur, I request that you take into consideration the relatively minor magnitude of the violation, my self reporting of the facts, and the corrective action I have taken.

Please do not hesitate to contact me if you require any additional information.

Sincerely,



A. Dwight Utz
President & Chief Executive Officer

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