

**FEDERAL DEPOSIT INSURANCE CORPORATION**

Re: **1<sup>st</sup> Capital Bank  
Monterey, California**

Application for Federal Deposit Insurance

**ORDER**

The FDIC has satisfactorily resolved the factors enumerated in section 6 of the Federal Deposit Insurance Act, as they relate to the application for Federal deposit insurance submitted by 1<sup>st</sup> Capital Bank, a proposed new bank to be headquartered at 5 Harris Court, Building N, Suite #3, Monterey, Monterey County, California, with branch offices to be located at 470 Tyler Street, 1<sup>st</sup> Floor, Monterey, Monterey County, California and 1097 South Main Street, Salinas, Monterey County, California, and messenger services operating from the bank's headquarters serving the communities in the Monterey County, California. Accordingly, it is hereby ORDERED that the application be approved, subject to the following conditions:

1. Beginning paid-in capital funds shall not be less than \$23 million.
2. The institution's Tier 1 capital to assets leverage ratio (as defined in the FDIC Rules and Regulations) shall be maintained at not less than eight percent (8%) throughout the first three years of operation and that an adequate allowance for loan and lease losses will be provided.
3. Any changes in proposed management or the proposed ownership of 10% or more of stock, including new acquisitions of or subscriptions to 10% or more of stock, shall be approved by the FDIC prior to opening.
4. An accrual accounting system shall be adopted for maintaining the financial records of the institution.
5. Federal deposit insurance shall not become effective until the applicant is authorized to operate as a State bank by the appropriate State authority.
6. The applicant shall submitted any proposed contracts, leases, or agreement relating to construction or rental of permanent quarters to the FDIC regional director for review and comment.
7. Prior to the effective date of Federal deposit insurance, the institution shall obtain surety bond coverage in a sufficient amount to conform to generally accepted banking practices.
8. The institution shall obtain an audit of its financial statements by an independent public accountant annually for at least the first three years after deposit insurance is effective and shall submit to the appropriate FDIC regional director, (i) a copy of the audited annual financial statements and the independent public auditor's report thereon within 90 days after the end of the depository institution's fiscal year, (ii) a copy of any other reports by the independent auditor (including any management letters) within 15 days after their receipt by the institution, and (iii) written notification within 15 days when a change in the institution's independent auditor occurs.

