

FEDERAL DEPOSIT INSURANCE CORPORATION

**In Re:** Embarcadero Bank (Proposed)  
San Diego, San Diego County, California  
Application for Federal Deposit Insurance  
(Deposit Insurance Fund)

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 Embarcadero Bank (Bank), a proposed new state-chartered commercial bank to be located in San Diego, California. Accordingly, it is hereby **ORDERED**, for the reasons set forth in the attached Statement, that the application submitted by the Bank for Federal deposit insurance be and the same hereby is approved subject to the following conditions:

1. Beginning paid-in capital funds shall not be less than \$20,000,000.
2. The Bank's Total Risk-Based Capital Ratio as defined in Section 325.2(y) of the FDIC Rules and Regulations shall be maintained at not less than thirteen percent (13%), and an adequate allowance for loan and lease losses will be provided.
3. Prior to the effective date of deposit insurance, the Bank shall have appointed and shall thereafter retain executive officers who possess the knowledge, experience, and capability to carry out the responsibilities of the position in a safe and sound manner.
4. The Bank shall operate within the parameters of the business plan submitted as part of the Bank's application for deposit insurance. The Bank must seek the FDIC Regional Director's prior written approval of any proposed major deviation or material change from the Bank's business plan.
5. The Bank shall conduct business pursuant to operating policies that are commensurate with the proposed business plan and adopted by the Board of Directors of the Bank. Also, the Board of Directors shall adopt controls reasonably designed to ensure compliance with and enforcement of such policies. At a minimum, such operating policies and procedures shall encompass the Bank's lending, investment, liquidity, and asset-liability management activities.
6. Any stock benefit plan adopted by the Board of Directors will comply with the FDIC Statement of Policy on Applications for Deposit Insurance. Furthermore, during the first three years of operations, the Bank shall notify the FDIC Regional Director of any proposed stock benefit plan, or any material deviation or change from any previously submitted stock benefit plan, 60 days before implementation of the plan or consummation of the change.

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7. An accrual accounting system will be adopted for maintaining the financial records of the institution.
8. Any changes in the Bank's proposed management or the proposed ownership of 10% or more of the Bank's stock, including new acquisitions of or subscriptions to 10% or more of stock, shall be approved by the FDIC prior to opening.
9. Federal deposit insurance shall not become effective until the applicant is authorized to operate as a State bank by the appropriate State authority.
10. No dividends will be paid by the Bank during the first three years of operations without the prior approval of the FDIC Regional Director and the State of California.
11. Prior to the effective date of Federal deposit insurance, the Bank shall obtain surety bond coverage in a sufficient amount to conform to generally accepted banking practices.
12. The Bank 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.
13. If deposit insurance has not become effective within twelve months from the date of this ORDER, the consent granted herein shall expire, unless the FDIC approves a request for an extension of the deadline prior to the expiration.
14. Until the bank is established, the FDIC shall have the right to alter, suspend, or withdraw the said commitment should any interim development warrant such action.

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By Order of the Associate Director, Division of Supervision and Consumer Protection,  
acting pursuant to delegated authority for the Board of Directors of the FDIC.

Dated at Washington, D.C. this 27<sup>th</sup> day of October, 2006.

/s/

Lisa K. Roy  
Associate Director  
Division of Supervision and Consumer Protection

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**STATEMENT**

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (12 U.S.C. §1815), an application for Federal deposit insurance has been filed for Embarcadero Bank (the Bank), a proposed new state-chartered commercial bank, to be located at 110 West A Street, San Diego, San Diego County, California.

Embarcadero Bank intends to focus on small-dollar commercial real estate and multi-family real estate lending in low- and moderate-income census tracts in Southern California. The Bank will operate out of a single non-street level office and will not have a traditional retail presence. Money market deposits and time deposits are expected to comprise the bulk of the Bank's deposit accounts.

For the purposes of this proposal, capital is adequate, projections for future earnings prospects are favorable, management is considered satisfactory, and the investment in fixed assets is reasonable. Corporate powers to be exercised are consistent with the purpose of the Federal Deposit Insurance Act. No formal objections to this proposal have been filed, and no undue risk to the insurance fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, the Associate Director, acting under delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

**ASSOCIATE DIRECTOR  
DIVISION OF SUPERVISION AND CONSUMER PROTECTION  
FEDERAL DEPOSIT INSURANCE CORPORATION**