

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Square 1 Bank (In Organization)
Durham, North Carolina
Application for Federal Deposit Insurance
(Bank Insurance Fund)

ORDER

The undersigned, acting on behalf of the Board of Directors of the FDIC, pursuant to delegated authority, has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act relating to the application for Federal deposit insurance for Square 1 Bank (the Bank), a proposed new state-chartered, nonmember bank to be located at 406 Blackwell Street, Crowe Building, Suite 240, Durham, Durham County, North Carolina, and to open in temporary quarters at 318 Blackwell Street, Reed Building, Suite 120, Durham, Durham County, North Carolina, and has concluded that the application should be approved.

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 at the same time is, approved subject to the following conditions:

- (1) That beginning paid-in capital funds of not less than \$99,000,000 be provided;
- (2) That the Tier 1 capital to assets leverage ratio (as defined in the Federal Deposit Insurance Corporation's capital regulation) will be maintained at not less than 8 percent throughout the first three years of operation and that an adequate allowance for loan and lease losses will be provided;
- (3) That any changes in proposed management or proposed ownership (10 percent or more of stock), including new acquisitions of or subscriptions to 10 percent or more of the stock, shall be approved by the Regional Director of the FDIC's Atlanta Regional Office (Regional Director) prior to opening of the Bank;
- (4) That any proposed contracts, leases or agreements relating to construction or rental of permanent quarters are submitted to the Regional Director for review and comment;
- (5) That any proposed insider transactions are submitted to the Regional Director for review and comment;

- (6) That full disclosure has been made to all proposed directors and stockholders of the facts concerning any insider transaction, including the identity of the parties to the transaction and the terms and costs involved (an insider is one who is or is proposed to be a director, officer, or incorporator of an applicant; a shareholder who directly or indirectly controls 10 or more percent of any class of the applicant's outstanding voting stock; or the associates or interests of any such person);
- (7) That an accrual accounting system be adopted for maintaining the Bank's books;
- (8) That, prior to the effective date of Federal deposit insurance, the Bank shall obtain fidelity bond coverage in a sufficient amount to conform to generally accepted banking practices;
- (9) That the Bank 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, furnish a copy of any reports by the independent auditor (including any management letters) to the Regional Director within 15 days after their receipt by the Bank, and notify the Regional Director within 15 days when a change in its independent auditor occurs;
- (10) That the Bank shall operate within the parameters of the business plan submitted to the FDIC, and, furthermore, during the first three years of operations, the bank shall notify the Regional Director of the FDIC of any proposed major deviation or material change from the submitted plan 60 days before consummation of the change;
- (11) That Federal deposit insurance shall not become effective unless and until the applicant has been granted a charter, that it has authority to conduct a banking business, and that its establishment and operation as a bank have been fully approved by the appropriate State Authority;
- (12) That until the conditional commitment herein granted becomes effective, the FDIC shall have the right to alter, suspend, or withdraw said commitment should any interim development be deemed to warrant such action; and

- (13) That if Federal deposit insurance has not become effective within twelve months from the date of this **ORDER**, or unless, in the meantime, a request for an extension of time has been approved by the FDIC, the consent granted herein shall expire at the end of the said twelve-month period.

Dated at Washington, D.C. this 1st day of July 2005.

FEDERAL DEPOSIT INSURANCE CORPORATION

/s/

BY:

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

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Square 1 Bank (In Organization)
Durham, Durham County, North Carolina
Application for Federal Deposit Insurance
(Bank Insurance Fund)

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 Square 1 Bank (the Bank), a proposed new state-chartered, nonmember bank to be located at 406 Blackwell Street, Crowe Building, Suite 240, Durham, Durham County, North Carolina, and to open in temporary quarters at 318 Blackwell Street, Reed Building, Suite 120, Durham, Durham County, North Carolina.

The Bank will focus on emerging growth companies that have received equity funding from established venture capital firms. The Bank is expected to serve customers nationally through a network of loan production offices in active technology markets. The Bank will be wholly-owned by Square 1 Financial, Inc., a Delaware-chartered holding company in organization.

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**