

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**Re: Start Community Bank  
New Haven, New Haven County, Connecticut  
Application for Federal Deposit Insurance**

**STATEMENT**

Pursuant to the provisions of Sections 5 and 6 of the Federal Deposit Insurance Act (12 U.S.C. §§ 1815 and 1816), an application for Federal deposit insurance has been filed for Start Community Bank (the Bank), a proposed new state-chartered member bank, to be located at 299 Whalley Avenue, New Haven, New Haven County, Connecticut. The Bank will be a wholly-owned subsidiary of First Community Bancorp, Incorporated (FCBI), an intermediate bank holding company that will be a wholly-owned subsidiary of First City Fund Corporation (FCFC), a non-profit, Connecticut corporation organized to serve the communities in the Greater New Haven, Connecticut region. FCFC is federally tax-exempt under sections 509(a)(3) and 501(c)(3) of the Internal Revenue Code, and will be a bank holding company, subject to the approval of the Board of Governors of the Federal Reserve System.

The Bank plans to operate a full-service, community bank dedicated to serving the communities of New Haven, Hamden, and West Haven, Connecticut. Capital will be provided by FCFC to the Bank. Under an agreement dated January 24, 2004, between the former New Haven Savings Bank (now NewAlliance Bank), New Haven, Connecticut, and the City of New Haven, NewAlliance Bank agreed to provide \$25 million to FCFC, a portion of which, together with \$2,000,000 from Yale University, will provide initial capital to the Bank of \$16,750,000.

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. The proposal appears to meet the convenience and needs of the communities to be served by the proposed bank. No formal objections to this proposal have been filed and no undue risk to the insurance fund is apparent. In considering the applicable statutory factors, the FDIC considered the corporate structure, FCFC's non-profit status, the local government representation on the Board of Directors, and the business objectives of the Bank.

Accordingly, based upon careful evaluation of all available facts and information, the Director of the Division of Supervision and Consumer Protection of the Federal Deposit Insurance Corporation, acting under delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

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

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**Re: Start Community Bank  
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Application for Federal Deposit Insurance**

**ORDER**

The undersigned, acting on behalf of the Board of Directors of the Federal Deposit Insurance Corporation (the "FDIC" or "Corporation"), 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 (the "FDI Act") and relating to the application pursuant to Section 5 of the FDI Act for Federal deposit insurance for Start Community Bank, a proposed new state-chartered member bank to be located at 299 Whalley Avenue, New Haven, New Haven County, Connecticut, and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED that the application submitted on behalf of Start Community Bank (the "Bank") for Federal deposit insurance be and hereby is approved subject to the following conditions:

- (1) That beginning paid-in capital funds from FCFC of not less than \$16,750,000 be provided to the Bank.
- (2) That the Tier 1 Capital to Assets leverage ratio (as defined in the FDIC's capital regulations in 12 CFR Part 325) of the Bank shall be maintained at not less than 9.0 percent throughout the first three years of operation and that an adequate allowance for loan and lease losses be provided.
- (3) That any changes in the 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, must be approved by the FDIC's New York Regional Director of the Division of Supervision and Consumer Protection (the "FDIC Regional Director") prior to the opening of the Bank.
- (4) That First City Fund Corporation ("FCFC") and First Community Bancorp, Incorporated ("FCBI"), have obtained approval of the Board of Governors of the Federal Reserve System to acquire voting stock control of the Bank prior to the opening of the Bank.
- (5) That the Bank shall operate within the parameters of the business plan submitted to the FDIC. During the first three years of operations, the Bank shall obtain prior approval from the FDIC Regional Director for any proposed major deviation or material change from the submitted plan before consummation of the change.
- (6) That within 60 days before the end of the third year of operation, the Bank will submit to the FDIC Regional Director pro forma financial statements and a business plan for operating years four through seven.
- (7) All transactions or relationships between the Bank, directly or indirectly, and the City of New Haven, Connecticut, or its instrumentalities that involve asset or liability transfers, including loan originations, deposit relationships, support relationships, or substantially similar transactions, will be evidenced by a written agreement or contract, and all documentation will be maintained and made available for FDIC

review, and will be subject to the following:

- (a) In the case of the City of New Haven or any single instrumentality of the City of New Haven, the aggregate amount of transactions (excluding deposit balances) will not exceed 10 percent of the capital stock and surplus of the Bank (see 12 CFR § 223.3(d) for the definition of “capital stock and surplus”);
  - (b) In the case of the City of New Haven and all instrumentalities, the aggregate amount of transactions (excluding deposit balances) will not exceed 20 percent of the capital stock and surplus of the Bank;
  - (c) Any transaction shall be deemed to be a transaction with the City of New Haven and/or its instrumentalities to the extent that the proceeds of the transaction are used for the benefit of, or are transferred to, the City of New Haven and/or its instrumentalities;
  - (d) The Bank will not purchase a low-quality asset from the City of New Haven or its instrumentalities (see 12 CFR § 223.3(v) for the definition of “low-quality asset”);
  - (e) Any transaction between the Bank and the City of New Haven or its instrumentalities shall be on terms and conditions that are consistent with safe and sound banking practices;
  - (f) All transactions between the Bank, directly or indirectly, and the City of New Haven or its instrumentalities will be on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving independent entities; and
  - (g) In the absence of comparable transactions, all transactions between the Bank, directly or indirectly, and the City of New Haven or its instrumentalities will be on terms and under circumstances, including credit standards, that in good faith would be offered to, or would apply to, other independent entities.
- (8) The Bank shall not extend credit to the City of New Haven or its instrumentalities, or their officers, agents, or contractors, unless the extension of credit:
- (a) Is made on substantially the same terms (including interest rates and collateral) as, and following credit underwriting procedures that are not less stringent than, those prevailing at the time for comparable transactions by the Bank with other persons that are not covered by this condition and who are not employed by the Bank or the City of New Haven or its instrumentalities;
  - (b) The extension of credit has been approved in advance by a majority of the Bank’s board of directors;

(c) Any interested party has abstained from participating directly or indirectly in the voting by the Bank's board of directors on the extension of credit; and

(d) The extension of credit does not involve more than the normal risk of repayment or present other unfavorable features.

- (9) The Bank will complete and maintain on an ongoing basis, an independent risk assessment of its relationship with the City of New Haven and its instrumentalities, focusing on the identification, measurement, monitoring, and management of any risk factors that could potentially and negatively impact the Bank; at a minimum, the independent assessment will consider the City's financial condition and performance, as well as an appropriate variety of negative scenarios. Based on this assessment, the Bank will take actions to ensure that appropriate corporate separateness will be maintained between the Bank and the City, that appropriate contingency plans are maintained and encompass credit and deposit activities and any other services or support provided under the relationship, and that address any potential negative impact on the Bank. For purposes of this provision, the independence requirement may be satisfied by a party, including an individual employed by the Bank, with the knowledge and experience necessary to conduct the assessment, so long as the party is not involved in the solicitation, administration, monitoring, or decision-making process with respect to transactions or relationships involving the City.
- (10) That the Board of Directors of the Bank and the Board of Directors FCFC will not be identical.
- (11) That no government official or representative (elected or appointed), including without limitation, the Mayor of the City of New Haven, will serve on any committee of the Bank that involves credit decisions of the Bank (including the loan committee or any similar committee authorized to act on such matters), serve as the Chairperson of the nominating committee or other similar committee established to consider nominations for appointment as an officer or election as a director of the Bank, or together with other government officials or representatives constitute a majority of any committee of the Bank.
- (12) That the depository institution will develop and implement a Community Reinvestment Act ("CRA") plan appropriate for its business strategy.
- (13) That the depository institution shall notify the FDIC Regional Director of any plans to establish a loan production office 60 days before opening the facility.
- (14) That the Bank will obtain an audit of its financial statements by an independent public accountant annually for the first seven years after deposit insurance is effective and submit to the appropriate FDIC office (i) a copy of the audited annual financial statements and the independent auditor's report within 90 days following the end of the depository institution's fiscal year, (ii) a copy of any other reports by the independent auditor (including management letters) within 15 days after their receipt by the depository institution, and (iii) written notification within 15 days when a

change in the depository's institution's independent auditor occurs.

- (15) That the Bank will have adequate fidelity insurance coverage.
- (16) That an accrual accounting system shall be adopted for maintaining the Bank's books.
- (17) That the Bank provide a detailed listing of leasehold improvements with costs allocated to each location and including acceptable depreciation schedules.
- (18) That the Bank will develop a comprehensive security program in accordance with Part 326 of the FDIC Rules and Regulations.
- (19) That within 90 days after the date of approval the Bank will adopt a formal capital contingency plan.
- (20) That within 90 days after the date of approval the Bank will adopt a satisfactory liquidity contingency plan.
- (21) That the Federal deposit insurance shall not become effective unless and until the applicant has been established as a state member bank, it has authority to conduct a depository institution business, and its establishment and operation as a depository institution has been fully approved by the state authority and the Federal Reserve Bank.
- (22) That until the conditional commitment herein ORDERED becomes effective, the Corporation shall have the right to alter, suspend, or withdraw the said commitment should any interim development be deemed to warrant such action.
- (23) That if deposit insurance has not become effective within one year from the date of the Order, or unless, in the meantime, a request for an extension of time has been approved by the Corporation, the consent granted shall expire on said date.

Dated at New York, New York, this 3<sup>rd</sup> day of December, 2010.

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/S/  
Daniel E. Frye  
Acting Regional Director