

**1ST CAPITAL BANK**  
**5 Harris Court, Building N, Suite 3**  
**Monterey, California 93940**  
**(831) 264-4000**  
**www.1stCapitalBank.com**

April 28, 2014

Fellow Shareholder:

Please accept this invitation to attend our 2014 Annual Meeting of Shareholders (“Annual Meeting”). The Annual Meeting will be held on Wednesday, June 18, 2014 at 5:30 p.m. Pacific Time at the Corral de Tierra Country Club located at 81 Corral De Tierra Road, Salinas, California 93908. If you were a shareholder of record of 1st Capital Bank (“Bank”) at the close of business on April 21, 2014, you may attend and vote at the Annual Meeting.

Our agenda will consist of the election of eight directors, ratification of the appointment of Crowe Horwath LLP as the Bank’s independent accountants for 2014, an advisory (non-binding) vote on the named executive officer compensation, and such other business as may properly come before the Annual Meeting. We will also take this opportunity to provide you with a report on our 2013 performance and to answer any questions you might have about the Bank.

Enclosed please find the 2014 Notice of the Annual Meeting, a Proxy, a Proxy Statement, our 2013 Annual Report, and a return envelope for the Proxy.

We encourage you to attend the Annual Meeting. Whether or not you are able to attend, please complete, date, sign, and return promptly the enclosed Proxy to ensure that your shares will be represented at the Annual Meeting. Voting in advance will not prevent you from attending the Annual Meeting. The Proxy Statement explains how you may vote your shares at the Annual Meeting if you choose to do so.

Please accept our thanks for your continued support and confidence in 1st Capital Bank. We look forward to seeing you at the Annual Meeting.

Sincerely,



Kurt J. Gollnick  
*Chairman Of The Board*



Mark R. Andino  
*President*  
*Chief Executive Officer*

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To Be Held On June 18, 2014

April 28, 2014

To Our Shareholders:

The Annual Meeting of Shareholders of 1st Capital Bank (“Bank”) will be held at the Corral de Tierra Country Club located at 81 Corral De Tierra Road, Salinas, California 93908 on Wednesday, June 18, 2014, at 5:30 p.m. Pacific Time and at any and all adjournments or postponements thereof, for the following purposes:

1. Election of the following eight (8) incumbent director-nominees to serve as directors of the Bank until the next Annual Meeting of Shareholders and until their successors are duly elected and qualified:

Susan C. Freeland  
Francis Giudici  
Kurt J. Gollnick  
Daniel R. Hightower, M.D.

Steven G. John  
Henry P. Ruhnke, Jr.  
Gregory T. Thelen  
F. Warren Wayland

2. Ratification of the appointment of Crowe Horwath LLP to serve as the Bank’s independent accountants for the fiscal year ending December 31, 2014.
3. Advisory (non-binding) vote on the named executive officer compensation.
4. Transaction of such other business as may properly come before the Annual Meeting and at any and all adjournments or postponements thereof.

Shareholders of record at the close of business on April 21, 2014 are entitled to notice of and to vote at the Annual Meeting or any and all adjournments or postponements thereof. This Notice, the Proxy Statement, and a Proxy are being distributed on or about April 28, 2014.

Regardless of whether you plan to attend the Annual Meeting in person, we urge you to vote “FOR” all nominees, “FOR” proposal 2, and “FOR” proposal 3 as soon as possible.

Article II, Section 7 of the Bank's Bylaws governs nominations for election of members of the Board of Directors as follows: "Section 7. Nominations for Election to Board of Directors. Nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. Nominations, other than those made by the Board of Directors, shall be made in writing and shall be delivered or mailed, with first-class United States mail postage prepaid, to the President by the later of: (a) the close of business twenty-one (21) days prior to any meeting of shareholders called for the election of directors; or (b) seven (7) days after the date of mailing of notice of the meeting of shareholders. Shareholder nominations shall contain the following information: (a) the name, age, business address and, if known, residence address of each proposed nominee; (b) the principal occupation or employment of each proposed nominee; (c) the total number of shares of capital stock of the Bank that are beneficially owned by each proposed nominee and by the nominating shareholder; (d) the name and residence address of the notifying shareholder; and (e) any other information the Bank must disclose regarding director nominees in the Bank's proxy solicitation. Shareholder nominations shall be signed by the nominating shareholder and by each nominee, and shall be accompanied by a written consent to be named as a nominee for election as a director from each proposed nominee. Nominations not made in accordance with this Section may be disregarded by the Chairman of the meeting, and if the Chairman so instructs, the inspectors of election may disregard all votes cast for each such nominee."

## ANNUAL DISCLOSURE

The Bank's 2013 Annual Report to Shareholders is enclosed herewith. In addition, in compliance with regulations adopted by the Federal Deposit Insurance Corporation, 1st Capital Bank has prepared an Annual Disclosure Statement containing additional information regarding the financial condition of the Bank. Shareholders may request free copies of our Annual Disclosure Statement as well as additional financial materials about the Bank (Annual Reports, quarterly earnings releases, and the Proxy Statement) by written request to: 1st Capital Bank, 5 Harris Court, Building N, Suite 3, Monterey, CA 93940, Attention: Corporate Secretary, or by telephone: (831) 264 - 4000. The majority of our financial materials are also available on our Internet site: [www.1stCapitalBank.com](http://www.1stCapitalBank.com), at no charge.

By Order Of The Board Of Directors



Michael J. Winiarski  
*Corporate Secretary*

**Whether or not you expect to be present at the Annual Meeting, please complete, date, sign, and promptly return the enclosed Proxy in the enclosed business reply envelope, which requires no postage if mailed in the United States. The Proxy may be revoked at any time prior to exercise. If you are present at the Annual Meeting, you may, if you wish, revoke your Proxy at that time and exercise the right to vote your shares personally.**

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**PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE 18, 2014**

**INTRODUCTION**

This Proxy Statement is being furnished to the shareholders of 1st Capital Bank (“Bank”) in connection with the solicitation of proxies by the Board of Directors of the Bank for use at the Annual Meeting of Shareholders to be held at the Corral de Tierra Country Club located at 81 Corral De Tierra Road, Salinas, California, 93908, on Wednesday, June 18, 2014, at 5:30 p.m. Pacific Time, and at any and all adjournments or postponements thereof (“Annual Meeting”). This Proxy Statement and the accompanying Notice of Annual Meeting and form of Proxy are being mailed to shareholders on or about April 28, 2014.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on June 18, 2014. The 1st Capital Bank Proxy Statement for the Annual Meeting and the Annual Report to Shareholders for the year ended December 31, 2013 are available for free on the Bank’s website: [www.1stCapitalBank.com](http://www.1stCapitalBank.com).**

Any shareholder who returns the Proxy accompanying this Proxy Statement has the power to revoke that Proxy prior to its exercise. The Proxy may be revoked prior to the Annual Meeting by delivering to the Corporate Secretary of the Bank either a written instrument revoking the Proxy or a duly executed proxy bearing a later date. The Proxy may also be revoked by the shareholder by attending and voting at the Annual Meeting. The Proxy will be voted as directed by the shareholder and if no directions are given on the Proxy, it will be voted “FOR” the election of nominees of the Board of Directors as described in this Proxy Statement, “FOR” the ratification of the selection of Crowe Horwath LLP as independent accountants for the fiscal year ending December 31, 2014, “FOR” approval of the advisory (non-binding) vote on the named executive officer compensation, and, at the proxy holders' discretion, on such other matters, if any, which may come before the Annual Meeting and any and all adjournments or postponements of the Annual Meeting.

## **QUESTIONS AND ANSWERS ABOUT PROXY MATERIALS AND THE ANNUAL MEETING**

***Question:*** WHY AM I RECEIVING THESE MATERIALS?

***Answer:*** The Board of Directors of 1st Capital Bank is providing this Proxy Statement to you in connection with the Bank's 2014 Annual Meeting of Shareholders. As a shareholder, you are invited to attend the Annual Meeting and are entitled to vote on the proposals described in this Proxy Statement.

***Question:*** WHO IS ENTITLED TO VOTE?

***Answer:*** Shareholders who own our no par value common stock ("Common Stock") as of the close of business on April 21, 2014 ("Record Date") may vote at the Annual Meeting. There were 3,510,726 shares of our Common Stock outstanding on the Record Date.

***Question:*** HOW MANY VOTES AM I ENTITLED TO?

***Answer:*** Shareholders are entitled to one vote per share held as of the Record Date with respect to each matter brought before the shareholders at the Annual Meeting, except that with respect to the election of directors, shareholders are entitled to cumulate their votes. Cumulative voting is explained in more detail in the section below entitled "Voting Securities; Record Date; Cumulative Voting."

***Question:*** WHAT IS THE DIFFERENCE BETWEEN HOLDING SHARES AS A SHAREHOLDER OF RECORD AND BEING A BENEFICIAL OWNER?

***Answer:*** Many shareholders hold the Bank's shares beneficially through a stockbroker, bank, or other nominee; rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

**Shareholder of Record** – If your shares are registered directly in your name with the Bank's transfer agent (Registrar and Transfer Company), you are considered, with respect to those shares, the *shareholder of record*, and this Proxy Statement and the accompanying Notice are being sent to you by the Bank. As the *shareholder of record*, you have the right to vote by Proxy or to vote in person at the Annual Meeting. The Bank has also enclosed a Proxy for you to use.

**Beneficial Owner** – If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the *beneficial owner* of shares held in street name, and this Proxy Statement and Notice are being forwarded to you by your broker, bank, or nominee which is considered, with respect to those shares, the *shareholder of record*. As the *beneficial owner*, you have the right to direct your broker, bank, or nominee how to vote and are also invited to attend the Annual Meeting. If you wish to vote these shares at the Annual Meeting, you must contact your broker, bank, or nominee for instructions as to how to do so. Your broker, bank, or nominee has enclosed a voting instruction card for you to use in directing the broker, bank, or nominee how to vote your shares on your behalf.

**Question:** WHAT IS THE PROXY?

**Answer:** The Proxy enables you to appoint Kurt J. Gollnick and Mark R. Andino as your proxy holders and representatives at the Annual Meeting. By completing and returning the Proxy, you are authorizing them to vote your shares at the Annual Meeting as you instructed on your Proxy. By doing so, your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the Annual Meeting, it is a good idea to complete and return your Proxy before the Annual Meeting date just in case your plans change. If a proposal comes up for vote at the Annual Meeting that is not on the Proxy, the proxy holders will vote your shares, under your Proxy, in accordance with the recommendation of the Board of Directors.

**Question:** WHAT AM I VOTING ON?

**Answer:** You are voting on the following proposals:

1. The election of the following eight (8) nominees to the Board of Directors: Susan C. Freeland, Francis Giudici, Kurt J. Gollnick, Daniel R. Hightower, M.D., Steven G. John, Henry P. Ruhnke, Jr., Gregory T. Thelen, and F. Warren Wayland.
2. To ratify the appointment of Crowe Horwath LLP as the Bank's independent accountants for 2014.
3. The advisory (non-binding) vote on the compensation for the Bank's named executive officers ("Say-On-Pay").

**Question:** HOW DO I VOTE?

**Answer:** You may vote by mail. Mark your choices on the enclosed Proxy and sign, date, and return it in the enclosed pre-addressed, postage pre-paid envelope. If you sign your Proxy but do not make any selections, your shares will be voted:

- “FOR” for the eight (8) named nominees for director.
- “FOR” the ratification of the appointment of Crowe Horwath LLP as the Bank’s independent accountants for 2014.
- “FOR” the approval of the compensation for the Bank’s named executive officers.

You may vote in person at the Annual Meeting. We will distribute written ballots to anyone who wants to vote in person at the Annual Meeting. However, if your shares are held in street name and you are a beneficial owner of the Bank’s shares, you must request a Proxy from your broker, bank, or nominee in order to vote in person at the Annual Meeting. We will ask you to provide documentation to validate your identity if you wish to vote in person at the Annual Meeting.

***Question:*** WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY?

***Answer:*** Your shares are probably registered differently or are in more than one account. Vote each Proxy you receive to ensure that all your shares are voted. Unless you need multiple accounts for specific purposes, we recommend that you consolidate as many of your accounts as possible under the same name and address. If you need assistance with this matter and the shares are registered in your name, please contact our transfer agent, Ms. Eileen O’Neil, the Bank’s representative at Registrar and Transfer Company (800.866.1340 Extension 2553) (eoneil@rtco.com); otherwise, please contact your brokerage firm.

***Question:*** HOW DO I REVOKE MY PROXY?

***Answer:*** You may revoke your Proxy and change your vote at any time before the polls close at the Annual Meeting. You may do this by: (i) signing another Proxy with a later date and delivering the new Proxy to the Bank; or (ii) voting in person at the Annual Meeting.

***Question:*** WILL MY SHARES BE VOTED IF I DO NOT RETURN MY PROXY?

***Answer:*** If your shares are held in your name, they will not be voted at the Annual Meeting unless you either complete and submit a Proxy or attend the Annual Meeting and vote in person.

If your shares are held in street name, there are specific rules that define when the brokerage firm can vote your shares without your instruction. Your brokerage firm will be entitled to vote your shares only regarding Proposal 2 to ratify the appointment of Crowe Horwath LLP as the Bank’s independent accountants for 2014; but they will not be entitled to vote your shares with respect to Proposal 1 (the election of directors) or with respect to Proposal 3 (the approval of compensation for the Bank’s named executive officers). Proxies returned by brokerage firms that have been voted only with respect to Proposal 2 will be treated as “broker non-votes” with respect to Proposals 1 and 3.

**Question:** HOW MANY SHARES MUST BE PRESENT TO HOLD THE ANNUAL MEETING?

**Answer:** To hold the Annual Meeting and conduct business, a majority of our shares outstanding as of April 21, 2014 must be present in person or by proxy at the Annual Meeting. This is called a quorum. Abstentions and broker non-votes, if any, will be counted for purposes of satisfying the quorum requirement. If there are insufficient shares present in person or by proxy to establish a quorum at the Annual Meeting, the Annual Meeting may be adjourned to permit the further solicitation of proxies.

**Question:** HOW MANY VOTES MUST THE NOMINEES HAVE TO BE ELECTED AS DIRECTORS?

**Answer:** The eight (8) nominees receiving the highest number of “FOR” votes will be elected as directors. This number is called a plurality.

**Question:** HOW MANY VOTES MUST THE RATIFICATION OF THE APPOINTMENT OF CROWE HORWATH LLP AS THE BANK’S INDEPENDENT ACCOUNTANTS FOR 2014 RECEIVE IN ORDER TO BE APPROVED?

**Answer:** The ratification of the appointment of Crowe Horwath LLP as the Bank’s independent accountants for 2014 must receive a majority of the votes cast. Broker non-votes or proxies marked “ABSTAIN” will not be treated as votes cast on the proposal.

**Question:** HOW MANY VOTES MUST THE ADVISORY (NON-BINDING) VOTE ON THE COMPENSATION FOR THE NAMED EXECUTIVE OFFICERS (“SAY-ON-PAY”) RECEIVE IN ORDER TO BE APPROVED?

**Answer:** The advisory (non-binding) vote on the compensation of the named executive officers must receive a majority of the votes cast. Broker non-votes or proxies marked “ABSTAIN” will not be treated as votes cast on the proposal.

**Question:** WHAT HAPPENS IF A NOMINEE IS UNABLE TO STAND FOR ELECTION?

**Answer:** The Board of Directors may reduce the number of directors or select a substitute nominee. In the latter case, if you have completed and returned your Proxy, Messrs. Gollnick and Andino, constituting the proxy holders, will be entitled to vote your shares for the substitute nominee.

***Question:*** HOW ARE VOTES COUNTED?

***Answer:*** On the proposal to elect directors, you may vote “FOR” for all nominees, “WITHHOLD” to withhold your vote from all nominees, or “FOR ALL EXCEPT” (except as marked to withhold your vote for any individual nominees(s)). With respect to the election of directors, you are also entitled to vote cumulatively if you attend the Annual Meeting and vote in person in accordance with the requirements for cumulative voting. Cumulative voting is explained in more detail in the section below entitled “Voting Securities; Record Date; Cumulative Voting.”

On the proposal to ratify the appointment of Crowe Horwath LLP as the Bank’s independent accountants for 2014, you may vote “FOR,” “AGAINST,” or “ABSTAIN.”

On the advisory (non-binding) vote on the compensation of the named executive officers, you may vote “FOR,” “AGAINST,” or “ABSTAIN.”

If you return your Proxy without indicating voting instructions, your shares will be counted as being voted “FOR” for each nominee for director, “FOR” the ratification of the appointment of Crowe Horwath LLP as the Bank’s independent accountants for 2014, and “FOR” the compensation of the named executive officers. Voting results are tabulated and certified by the Inspector of Election at the Annual Meeting.

***Question:*** IS MY VOTE CONFIDENTIAL?

***Answer:*** In general, proxies, written ballots, and voting tabulations that identify shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Bank or to third parties except: (i) as may be necessary to meet legal requirements; (ii) to allow for the tabulation of votes and the certification of the voting; and (iii) to facilitate a successful Proxy solicitation by the Bank’s Board of Directors.

***Question:*** WHERE DO I FIND THE VOTING RESULTS OF THE MEETING?

***Answer:*** We will announce the voting results at the Annual Meeting. You may obtain a copy of the voting results by calling our Corporate Secretary at (831) 264-4000 after the Annual Meeting. You can also obtain a copy of these results on the Internet through the Bank’s website at [www.1stCapitalBank.com](http://www.1stCapitalBank.com). The results of the voting will also be contained in the minutes of the Annual Meeting, which will be available at the Bank for review by shareholders.

## **Solicitation of Proxies**

The solicitation of proxies is being made by the Board of Directors of the Bank. The expense of preparing, assembling, printing, and mailing this Proxy Statement and the materials used in the solicitation of proxies for the Annual Meeting will be borne by the Bank. It is contemplated that proxies will be solicited principally through the use of the mail, but officers, directors, and employees of the Bank may solicit proxies personally or by telephone, without receiving special compensation therefor. The Bank will reimburse banks, brokerage houses, and other custodians, nominees, and fiduciaries for their reasonable expenses in forwarding the Proxy Statement to shareholders whose stock in the Bank is held of record by such entities. In addition, the Bank may use the services of individuals or companies it does not regularly employ in connection with this solicitation of proxies, if the Board of Directors and management determine it to be advisable.

## **Voting Securities; Record Date; Cumulative Voting**

There were issued and outstanding 3,510,726 shares of the Bank's common stock on April 21, 2014 ("Record Date"), which has been fixed as the Record Date for the purpose of determining shareholders entitled to notice of, and to vote at, the Annual Meeting. On any matter submitted to the vote of the shareholders, each holder of Bank common stock will be entitled to one vote, in person or by proxy, for each share of common stock he or she held of record on the books of the Bank as of the Record Date. Votes cast will be counted by the Inspector of Election for the Annual Meeting. The Inspector will treat abstentions and "broker non-votes" as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but they are not treated as shares voted on any proposal. Broker non-votes are shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power under applicable rules of the stock exchange or other self-regulatory organization of which the broker or nominee is a member. In the election of directors, the nominees receiving the highest number of votes will be elected. Approval of any proposal (other than the election of directors) requires the affirmative vote of a majority of the shares represented and voting at the Annual Meeting (unless a greater number is required as described in a proposal).

In connection with the election of directors, shares may be voted cumulatively if a shareholder present at the Annual Meeting gives notice to the Chairman at the Annual Meeting, prior to the voting for election of directors, of his or her intention to vote cumulatively. If any shareholder of the Bank gives such notice, then all shareholders eligible to vote will be entitled to cumulate their shares in voting for the election of directors. In such event, the proxy holders will have discretionary authority to cumulate votes represented by proxies delivered pursuant to this Proxy Statement, in accordance with the recommendations of the Board of Directors. Cumulative voting allows a shareholder to cast a number of votes equal to the shares held in his or her name as of the Record Date multiplied by the number of directors to be elected. These votes may be cast for any one nominee, or may be distributed among as many nominees as the shareholder sees fit.

## **STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Management of the Bank knows of no person who owns, beneficially or of record, either individually or together with associates, 5 percent or more of the outstanding shares of the Bank's common stock, except as set forth in the table below. The following table sets forth, as of the Record Date, the number and percentage of shares of the Bank's common stock beneficially owned, directly or indirectly, by each of the Bank's directors, nominees, principal shareholders, the executive officers<sup>(1)</sup> named in the Summary Compensation Table, and all of the individuals named in the table as a group. Beneficial ownership generally includes shares over which a person named below has sole or shared voting or investment power and shares which such person has the right to acquire within 60 days of the Record Date. Unless otherwise indicated in the notes to the table, each person listed below possesses sole voting and sole investment power, or shared voting and investment power with a spouse, for the shares of the Bank's common stock listed below.

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(1) As used throughout this Proxy Statement, the term "executive officer" mean the President and Chief Executive Officer; the Executive Vice President, Chief Financial Officer; the Executive Vice President, Chief Credit Officer; the Executive Vice President, Chief Lending Officer; and the Executive Vice President, Chief Administrative Officer. The Bank's Chairman of the Board, Vice Chairman of the Board, Senior Vice Presidents, and Vice Presidents are not considered to be executive officers of the Bank.

Name and Address of Beneficial Owner <sup>(1)</sup>	Amount and Nature of Beneficial Ownership	Percent Of Outstanding Shares
<b>DIRECTORS AND NOMINEES:</b>		
Susan C. Freeland <sup>(2)</sup>	55,040	1.6%
Francis Giudici	1,871	0.1%
Kurt J. Gollnick <sup>(3)</sup>	61,650	1.8%
Daniel R. Hightower, M.D. <sup>(4)</sup>	100,341	2.9%
Steven G. John	--	0.0%
Henry P. Ruhnke, Jr. <sup>(5)</sup>	17,757	0.5%
Gregory T. Thelen <sup>(6)</sup>	173,016	4.9%
F. Warren Wayland	19,495	0.6%
<b>NON-DIRECTOR EXECUTIVE OFFICERS:</b>		
Mark R. Andino	15,320	0.4%
Dale R. Diederick <sup>(7)</sup>	3,400	0.1%
Jon D. Ditlevsen <sup>(8)</sup>	4,000	0.1%
Marilyn P. Goode <sup>(9)</sup>	15,300	0.4%
Michael J. Winiarski	--	0.0%
All Directors, Nominees, and Executive Officers As a Group (13 persons)	467,190	13.3%
<b>PRINCIPAL SHAREHOLDERS:</b>		
None		

- (1) The address of all directors, nominees, and executive officers is 5 Harris Court, Building N, Suite 3, Monterey, CA 93940.
- (2) Ms. Freeland's shares include 22,500 shares subject to vested stock options.
- (3) Mr. Gollnick's shares include 23,500 shares subject to vested stock options.
- (4) Dr. Hightower's shares include 20,400 shares subject to vested stock options.
- (5) Mr. Ruhnke's shares include 14,737 shares held in a limited liability corporation over which he maintains voting control.
- (6) Mr. Thelen's shares include 25,500 shares subject to vested stock options and 115,876 shares held in client trusts for which he is a trustee with voting authority.
- (7) Mr. Diederick's shares include 3,400 shares subject to vested stock options.
- (8) Mr. Ditlevsen's shares include 4,000 time-based restricted shares subject to vesting within 60 days of the Record Date.
- (9) Ms. Goode's shares include 15,300 shares subject to vested stock options.

## **CORPORATE GOVERNANCE**

The Board of Directors is committed to good business practices, transparency in financial reporting, and the highest levels of corporate governance. To further these objectives, the Board of Directors has adopted the following practices:

- The following committees are composed solely of independent directors: Audit and Compliance Committee, Human Resources and Compensation Committee, and Corporate Governance and Nominating Committee.
- Periodic executive sessions composed of solely independent directors.
- Director access to officers and employees.
- Director access to independent advisors.
- Methodology for reporting concerns to non-employee directors or to the Audit and Compliance Committee.

During 2013 and as of the Record Date, the Board of Directors was composed solely of outside, independent directors.

### **Code of Ethics**

The Board of Directors has adopted a “Code of Ethics” that requires the Bank’s directors, officers (including the principal executive and financial and accounting officers, and persons performing similar functions) and employees to conduct business in accordance with the highest ethical standards and in compliance with all laws, rules, and regulations applicable to the Bank. The Code of Ethics may be obtained by any shareholder, without charge for one copy, by writing to 1st Capital Bank, 5 Harris Court, Building N, Suite 3, Monterey, California 93940, Attention: Corporate Secretary.

### **Director Independence**

The Bank has adopted the NASDAQ “independence” definition in NASDAQ Listing Rule 5605(a)(2) to determine the independence of its directors and nominees for election as directors. Each member of the Board of Directors and nominee for election as a director is qualified as “independent” under such NASDAQ definition.

## **Leadership Structure of the Board**

The Board believes that the Bank and its shareholders are best served by having an independent Board Chairman whose duties are separate from those of the Chief Executive Officer. In accordance with the Bank's bylaws, the Board of Directors hires the Chief Executive Officer and elects the Board Chairman. The Chairman is selected from the independent directors. The Board of Directors believes that the current structure of the Board of Directors is appropriate to effectively manage the affairs of the Bank and is in the best interests of the Bank's shareholders.

## **Board's Role in Risk Oversight**

The Board of Directors is actively involved in oversight of risks that could affect the Bank. This oversight is conducted primarily through committees of the Board of Directors, as disclosed in the descriptions of each of the committees below, but the full Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Bank.

## **Attendance at Annual Meetings**

The Board of Directors encourages all of its members to attend the annual meetings of shareholders. Five of the directors attended the Bank's 2013 Annual Meeting of Shareholders.

## **EXECUTIVE OFFICERS**

The following table sets forth the names of and certain information, as of the Record Date, concerning the Bank's executive officers.

**Name**  
**Position**  
**Tenure**  
**Age**

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**Principal Occupation and Business Experience**  
**During The Past Five Years**

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Mark R. Andino  
President  
Chief Executive Officer  
Officer Since 2012  
Age 54

Mr. Andino has served as President and Chief Executive Officer of the Bank since February 28, 2013, before which he served as Interim President and Chief Executive Officer since November 10, 2012, and Executive Vice President and Chief Operating Officer since joining the Bank on October 16, 2012. Mr. Andino is a veteran California banker, with thirty years of financial institution experience, including six years working in the Bank's primary market area. Over his career, Mr. Andino has served in a number of senior capacities at financial institutions, including Chief Financial Officer, Chief Operating Officer, Chief Administrative Officer, and Director. Mr. Andino was a founder of American Perspective Bank for which he served as Executive Vice President, Chief Financial Officer and Chief Operating Officer from 2006 through 2012, while also serving simultaneously as a Director for that bank from 2007 to 2011. Mr. Andino has an undergraduate degree in business administration from the College of William and Mary, and a Master of Business Administration degree from the University of California at Berkeley.

Dale R. Diederick  
Executive Vice President  
Chief Credit Officer  
Officer Since 2013  
Age 65

Mr. Diederick was appointed Executive Vice President and Chief Credit Officer effective April 2013. He previously served the Bank as First Vice President and Senior Credit Officer since September 2011. Mr. Diederick is an experienced credit professional who has thirty-five years of credit and risk management experience. Before he joined 1st Capital Bank in 2011, his experience included serving as the Senior Credit Administrator, Chief Risk Officer, or Chief Credit Officer at Pacific Capital Bancorp, its subsidiaries, and / or its predecessor companies from 1983 to 2005, and again from 2008 to 2011.

Jon D. Ditlevsen  
Executive Vice President  
Chief Lending Officer  
Officer Since 2013  
Age 58

Mr. Ditlevsen has served as Executive Vice President and Chief Lending Officer since June 2013. Mr. Ditlevsen is a veteran California banker, with over thirty-five years of financial institution experience, including working at community, regional, and national banks. He has served the Bank's primary market area and adjacent counties for many years. Over his career, Mr. Ditlevsen has worked in a variety of credit and lending related capacities, including service as Senior Vice President and Regional Manager for Comerica Bank, a subsidiary of Comerica Inc., from 1994 to 2010 and as Senior Vice President and Central Coast Regional Manager for Wells Fargo Bank, a subsidiary of Wells Fargo & Company, from 2010 to 2013. Mr. Ditlevsen earned an undergraduate degree from San Jose State University and has pursued ongoing education throughout his career with emphasis in leadership, sales management, and credit underwriting. Mr. Ditlevsen has been active in local community groups on an ongoing basis, with a focus on education and health related organizations.

<b>Name</b> <b>Position</b> <b>Tenure</b> <b>Age</b>	<b>Principal Occupation and Business Experience</b> <b>During The Past Five Years</b>
Marilyn P. Goode Executive Vice President Chief Administrative Officer Officer Since 2007 Age 66	Ms. Goode has served the Bank since 2007 and was appointed Executive Vice President and Chief Administrative Officer in 2008. Ms. Goode has more than forty years of experience in banking, including as Senior Vice President and Regional Manager for Umpqua Bank subsequent to its acquisition of Central California Bank in Sonora, California, at which she served as Chief Operating and Financial Officer since its inception in 1998.
Michael J. Winiarski Executive Vice President Chief Financial Officer Officer Since 2014 Age 57	Mr. Winiarski has served as Executive Vice President and Chief Financial Officer since March 2014. Mr. Winiarski has more than thirty years of experience in the financial services industry and has served as Chief Financial Officer for publicly traded and privately held commercial banks, including four years with Hanmi Financial Corporation. Mr. Winiarski served as Executive Vice President and Chief Financial Officer of First Private Bank and Trust from 2009 to 2011 and as Executive Vice President of Boston Private Bank and Trust Company from 2011 to 2013; both banks were subsidiaries of Boston Private Financial Holdings, Inc. After earning a Bachelor of Science degree in Accounting from California State University of Long Beach, Mr. Winiarski became a certified public accountant (currently inactive) and spent eight years with Deloitte.

**PROPOSAL NUMBER 1**  
**ELECTION OF DIRECTORS**

The Bank's Bylaws provide that the number of directors of the Bank shall not be less than seven (7) nor more than thirteen (13) until changed by an amendment to the Bylaws adopted by the Bank's shareholders. The Bylaws further provide that the exact number of directors may be set by resolution of the Board of Directors or shareholders. The Board of Directors has set the exact number of directors at eight (8).

The persons named below, all of whom are incumbent directors, are nominated for election as directors at the Annual Meeting to serve until the 2015 Annual Meeting of Shareholders and until their successors are duly elected and qualified. Unless otherwise directed, votes will be cast by the proxy holders in such a way to effect, if possible, the election of the eight (8) incumbent director-nominees named below including, in the event of cumulative voting, the authority of the proxy holders to cumulate votes represented by the shares covered by proxies in the election of directors. The eight (8) nominees for director receiving the most votes will be elected as directors. In the event that any of the nominees should be unable to serve as a director, it is intended that the proxies received will be voted by the proxy holders for the election of such substitute nominee, if any, as shall be designated by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees named below will be unable to serve if elected.

The following table sets forth the names of and certain information, as of the Record Date, concerning the persons nominated by the Board of Directors for election as directors of the Bank.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE ELECTION AS DIRECTORS OF THE NOMINEES WHOSE NAMES APPEAR IN THE TABLE BELOW.**

#### **Information with Respect to Nominees and Continuing Directors**

The information presented below includes information each director-nominee has given the Bank regarding age, current positions held, principal occupation and business experience for the past five years, and the names of other publicly-held companies for which the director currently serves as a director or has served as a director during the past five years. In addition to the information presented regarding each nominee’s specific experience, qualifications, attributes and skills that led the Corporate Governance and Nominating Committee to recommend that the Board of Directors nominate these individuals to serve as directors of the Bank, all of the nominees have reputations for honesty, integrity, and adherence to high ethical standards. The Committee also believes that the nominees possess the willingness to engage management and each other in a positive and collaborative fashion, and are prepared to make the significant commitment of time and energy necessary to serve on our Board of Directors and its committees.

**Name**  
**Position(s)**  
**Age**

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Susan C. Freeland  
Director since 2006  
Age 69

**Principal Occupation and Business Experience**  
**During The Past Five Years**

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Ms. Freeland is a Broker Associate with Carmel Realty Company in Carmel, California. During her varied career, Ms. Freeland has experience in commercial banking as a Marketing Officer for Colorado Exchange National Bank in Colorado Springs and as Vice President and Manager for trust and investment services in the Monterey offices of Bank of America and First National Bank from 1996 to 2004. Ms. Freeland obtained a Juris Doctor from The Monterey College of Law, where she graduated at the top of her class. She earned a Bachelor of Arts degree from The Colorado College. Ms. Freeland is a member of the California and Monterey County Bar Associations. She is a Past President of the Rotary Club of Monterey and Past Chair of the Planned Giving Council for California State University, Monterey Bay. She is the Past President of the Monterey History and Art Association. She has served on the boards of the Monterey County Symphony Association, Action Council for Monterey County, and the York School board of trustees.

The Board of Directors believes that Ms. Freeland's experience in real estate and commercial bank marketing and trust services enables her to provide insight into the real estate markets and banking business and makes her an excellent candidate for Director of the Bank.

Francis Giudici  
Director since 2013  
Age 57

Mr. Giudici is a lifelong Monterey County resident and the President of L.A. Hearne Company, headquartered in King City, California. L.A. Hearne Company is a family owned (third generation), diversified agricultural business that markets farm products, seed, and animal feed; operates retail farm stores; provides trucking services; and operates various ancillary lines of business. L.A. Hearne employs about 100 individuals. Mr. Giudici has served on and actively participated in the Bank's Salinas Valley Advisory Board for the past several years. Mr. Giudici has been extensively involved in agricultural industry organizations throughout his career, including serving as President or Chairman for a number of entities. Mr. Giudici has also devoted over two decades to supporting local youth athletics, including coaching both football and baseball.

The Board of Directors believes that Mr. Giudici's experience in a leadership role in agricultural management and marketing enables him to offer considerable business acumen and key insights into the banking needs of the Bank's client base and makes him an excellent candidate for Director of the Bank.

**Name**  
**Position(s)**  
**Age**

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Kurt J. Gollnick  
Director since 2006  
Chairman of the Board  
Age 55

**Principal Occupation and Business Experience**  
**During The Past Five Years**

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Mr. Gollnick is the Senior Vice President and Chief Operating Officer of Scheid Vineyards Inc. Scheid Vineyards is one of the country's largest independent growers of premium grapes; and produces in excess of two million cases of wine per year. Mr. Gollnick completed his undergraduate studies in Agricultural Business at California Polytechnic State University, San Luis Obispo. Mr. Gollnick is the 2006 recipient of the National Steinbeck Center's Emerging Agricultural Leader Award. Mr. Gollnick has served on various non-profit boards throughout Monterey County, including holding the titles of President or Chairman. In his role as Chairman of the Board since the formation of the Bank, Mr. Gollnick has attended numerous financial industry conferences, including those sponsored by the Western Independent Bankers. In addition, Mr. Gollnick has attended various events sponsored by the Bank's regulatory agencies.

The Board of Directors believes that Mr. Gollnick's experience in a leadership role with a relatively large company and in agricultural management and marketing allows him to offer the Bank considerable business acumen, strategic planning perspective, and strong leadership skills, and, together with his long-time involvement with the Bank as one of its founders, makes him an excellent candidate for Director of the Bank.

Daniel R. Hightower, M.D.  
Director since 2006  
Vice Chairman of the Board  
Age 59

Dr. Hightower is the former Chief of Staff of Community Hospital of the Monterey Peninsula and currently on the medical staff in the Department of Radiology. Dr. Hightower obtained a Bachelor of Science degree in Biological Sciences from the University of Southern California. He earned a M.D. degree from the University of California, San Francisco, School of Medicine. Dr. Hightower is a Past President and former trustee of the Carmel Unified School District Board of Education and a former trustee of the Community Hospital of the Monterey Peninsula.

The Board of Directors believes that Dr. Hightower's experience and leadership in the medical services community allows him to provide insight into the needs of key sectors of the Bank's target markets, a deep background in community affairs, and strong leadership skills that, together with his long-time involvement with the Bank as one of its founders, makes him an excellent candidate for Director of the Bank.

**Name**  
**Position(s)**  
**Age**

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Steven G. John  
Director since 2014  
Age 50

**Principal Occupation and Business Experience**  
**During The Past Five Years**

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Mr. John is the Chief Executive Officer of the Monterey Peninsula Foundation, where he has served in such capacity since 2011. Previously, Mr. John was President of Ocean Honda, an automobile dealership located in Soquel, California. He was a founding director of Santa Cruz County Bank, a publicly traded commercial bank, where he served from 2004 to 2012, and is very well known throughout the Bank's primary market area as a long term businessman and for his involvement with local community organizations. Mr. John earned a bachelor's degree from Albion College, Albion, Michigan.

The Board of Directors believes that Mr. John's experience in both business and the not-for-profit sector enables him to provide understanding of community banking needs, which, together with the perspective gained through his public company board experience, makes him an excellent candidate for Director of the Bank.

Henry P. Ruhnke, Jr.  
Director since 2010  
Age 51

Mr. Ruhnke is a registered architect and a principal of Wald, Ruhnke & Dost Architects, LLP, headquartered in Monterey, California and founded in 1990. He has served on the Monterey Planning Commission, and the Monterey Architectural Review Committee. He is a former board member of the American Institute of Architects Monterey Bay, a graduate of Leadership Monterey, and is a director of the Monterey County Hospitality Association, a member of the Rotary Club of Monterey, Monterey Commercial Property Association, and the Monterey Chamber of Commerce.

The Board of Directors believes that Mr. Ruhnke's experience in commercial and residential real estate and in project management allows him to provide insight into real estate markets, project management, and operational issues and makes him an excellent candidate for Director of the Bank.

**Name**  
**Position(s)**  
**Age**

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Gregory T. Thelen  
Director since 2006  
Age 59

**Principal Occupation and Business Experience**  
**During The Past Five Years**

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Mr. Thelen is a certified public accountant and a long-time resident of Monterey County. Mr. Thelen worked for Deloitte & Touche from 1978 to 1998 before opening his own accounting practice serving Salinas and Carmel. In 2003, he formed the accounting firm of Thelen, Chang, Nguyen and VanRuler, LLP, headquartered in Salinas, California.

The Board of Directors believes that Mr. Thelen's experience in business and accounting enables him to provide critical insight into the Bank's accounting policies and practices, internal control over financial reporting, risk management, and corporate governance issues, and makes him an excellent candidate for Director of the Bank.

F. Warren Wayland  
Director since 2009  
Age 69

Mr. Wayland is a certified public accountant and co-founder and retired managing partner of Hayashi & Wayland (an accounting and consulting firm). Mr. Wayland is a Past Treasurer of The Community Foundation for Monterey County and the Salinas Valley Memorial Hospital Foundation. He is a Past President of the California Rodeo Association, a Past President of the Monterey County Cattleman's Association, and a Past Vice President of the California Cattleman's Association. Mr. Wayland is currently the President of Public Recreation Unlimited and also served as Project Chairman of the Salinas Sports Complex, on the National Cattlemen's Association Taxation and Finance Committees, and as Treasurer of The Boys & Girls Club of Monterey County. In 1998 and again in 2014, Mr. Wayland was recognized as the Salinas Valley Chamber of Commerce Citizen of the Year. In 2004 and 2005, Mr. Wayland served as a director for a publicly traded bank holding company headquartered in Salinas, California.

The Board of Directors believes that Mr. Wayland's experience in business and accounting allows him to provide critical insights into the Bank's accounting policies and practices, internal controls, and corporate governance matters. In addition, his extensive background in community affairs, together with insights gained during his previous service as a bank director, makes him an excellent candidate for Director of the Bank.

None of the directors were selected pursuant to any arrangement or understanding other than with the directors and executive officers of the Bank acting within their capacities as such. There are no family relationships between any two or more of the directors, executive officers or persons nominated or chosen by the Board of Directors to become a director or executive officer.

Except as disclosed in the table above, no director or executive officer of the Bank currently serves, or within the last five years has served, as a director of any public company, including any company which has a class of securities registered under, or which is subject to the periodic reporting requirements of, the Securities Exchange Act of 1934, or of any company registered as an investment company under the Investment Company Act of 1940. None of the nominees were subject to any legal, judicial, or administrative proceedings involving or based on violations of federal or state securities, commodities, banking or insurance laws and regulations or settlements thereof, involvement in mail or wire fraud or fraud in connection with any business entity, any disciplinary sanctions or orders imposed by a stock, commodities or derivatives exchange or other self-regulatory organization, convictions in a criminal proceeding (excluding traffic violations and minor offenses) or had a petition under bankruptcy laws filed by or against themselves or an affiliate, in each case within the last ten years.

### **Board Committees and Attendance**

The Bank's Board of Directors met seventeen times for regularly scheduled and special meetings during 2013. Each director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board of Directors; and (ii) the total number of meetings of committees on which each director served. Average director attendance at the combination of Board and committee meetings was 85%.

**Asset Liability and Investment Committee.** The Asset Liability and Investment Committee is responsible for the safe and sound operation of the Bank with regard to the investment portfolio, liquidity management, capital planning, wholesale funding, capital markets related transactions, and interest rate risk management. The Committee is responsible for approving management strategies regarding investment securities, deposit programs, and lending initiatives, including pricing the Bank's products and services. The Committee is also responsible for overseeing the Bank's compliance with various laws and regulations that apply to the Bank's capital markets and correspondent banking activities. The members of the Committee are Directors Freeland (Chair), Giudici, John, Ruhnke, and Wayland. The Committee met ten times during 2013.

**Audit and Compliance Committee.** The Audit and Compliance Committee is responsible for:

- providing independent, objective oversight of the Bank’s financial reporting, internal controls, and disclosure quality, content, and controls;
- hiring the Bank’s independent accountants and internal auditors, including validating their qualifications, authorizing their compensation, and approving the lead partners;
- assessing the performance of the independent accountants and internal auditors;
- monitoring the independence of the independent accountants;
- approving and reviewing the Bank’s internal audit program;
- reviewing all findings arising from the attestation audit, internal audits, credit reviews, and regulatory examinations, and ensuring that any corrective actions are timely performed;
- monitoring the Bank’s tax compliance;
- coordinating corporate governance topics for the full Board of Directors;
- administering the Bank’s Code of Ethics, including addressing any potential or actual conflicts of interest and providing for “whistleblower” access;
- handling communications from employees or other parties submitted to the Committee regarding concerns about accounting, auditing, or compliance matters; and
- overseeing the Bank’s compliance with laws and regulations.

The Bank’s Compliance Officer, independent accountants, and internal auditors report directly to the Committee. The Committee has authority to retain independent legal, accounting, and other advisors as desired to assist the Committee in performing its duties.

The Committee holds discussions with management, the internal auditors, and the independent accountants, Crowe Horwath LLP, including discussions with Crowe Horwath LLP without management being present.

The Committee regularly reports to the Board its findings, conclusions, and recommendations, if any, relating to the adequacy of internal controls and procedures in accordance with applicable laws, regulations, and generally accepted accounting principles. The members of the Committee are Directors Thelen (Chair), Freeland, Gollnick, John, and Wayland. Each Committee member is deemed “independent” under NASDAQ Listing Rule 5605(a)(2), financially sophisticated, and qualified to review the Bank’s financial statements. Director Thelen has been designated as the “Audit Committee Financial Expert” for the Committee. The Committee met eleven times during 2013.

**Corporate Governance and Nominating Committee.** The Corporate Governance and Nominating Committee is responsible for the review and recommendation of corporate governance standards for the Bank and the evaluation and recommendation to the Board of Directors of candidates for nomination as directors of the Bank. The members of the Committee are Directors Hightower (Chair), Freeland, John, and Gollnick. The Committee met two times during 2013.

Candidates for nomination as directors are selected by a majority of directors who are “independent” as defined under the NASDAQ Listing Rule 5605(a)(2). The Committee operates in accordance with a Corporate Governance and Nominating Committee Charter and policies established by the Board of Directors. Any recommendations by shareholders will be evaluated by the Committee and the Board of Directors in the same manner as any other recommendation. Shareholders that desire to recommend candidates for consideration by the Bank’s Board of Directors must mail or deliver written recommendations to the Bank addressed as follows: Board of Directors, 1st Capital Bank, 5 Harris Court, Building N, Suite 3, Monterey, California 93940.

Any recommendation must include biographical information indicating the background and experience of the candidate that qualifies the individual for consideration as a director for evaluation by the Committee and the Board of Directors. In addition to minimum standards of “independence” for non-employee directors and financial literacy, the Committee and the Board of Directors considers various other criteria including the candidate’s experience and expertise, financial resources, ability to devote the time and effort necessary to fulfill the responsibilities of a director, and involvement in community activities in the market areas served by the Bank that may enhance the reputation of the Bank. It is the policy of the Committee to select individuals as director-nominees with the goal of creating a balance of knowledge, experience, and skills on the Board. The Committee also evaluates candidates for their character, judgment, and business experience and acumen. The Committee believes that a director candidate must possess personal and professional integrity and sound judgment. These considerations are manifested in various criteria for consideration when reviewing a potential director candidate, which may include the following:

- The extent of the director candidate’s educational, business, non-profit or professional acumen and experience.
- The extent of the director candidate’s contributions to the community.
- The extent of the director candidate’s leadership experience.
- Whether the director candidate assists in achieving a mix of Board members that represents a diversity of background, perspective, and experience.
- Whether the director candidate meets the independence requirements of the listing standards of the NASDAQ Listing Rule 5605(a)(2).
- Whether the director has the ability and intent to maintain ownership of the Bank’s common stock.
- Whether the director candidate possesses the ability to work as part of a team in an environment of trust.

The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective director candidates. Diversity is one of the factors that the Committee considers in identifying nominees for director. In selecting director-nominees, the Committee considers, among other factors: (1) the competencies and skills that the candidate possesses and the candidate’s areas of qualification and expertise that would enhance the composition of the Board; and (2) how the candidate would contribute to the Board’s overall balance of expertise, perspectives, backgrounds, and experiences in substantive matters pertaining to the Bank’s business. The Committee has not adopted a formal diversity policy with regard to the selection of director-nominees. For a discussion of the specific backgrounds and qualifications of our current directors and director-nominees, see “Proposal 1 – Election of Directors – Information with Respect to Nominees and Continuing Directors.”

The Bank operates in a highly regulated industry and is subject to the supervision, regulation, and periodic examination by state and federal banking regulatory authorities including the California Department of Business Oversight and Federal Deposit Insurance Corporation. Directors of the Bank are subject to certain rules and regulations and potential liabilities not otherwise applicable to directors of non-banking organizations. Consequently, evaluation of candidates by the Committee and the Bank's Board of Directors may include more extensive inquiries into personal background information including confirmation of the accuracy and completeness of background information by such means as: (a) requiring candidates to complete questionnaires to elicit information of the type required to be disclosed by the Bank in reports filed with such state and federal banking regulatory authorities; (b) conducting background investigations by qualified independent organizations experienced in conducting criminal and civil investigatory reviews; and (c) such other personal and financial reviews and analyses as the Committee and the Board of Directors may deem appropriate in connection with the consideration of candidates. Shareholders who wish to nominate a candidate for election to the Bank's Board of Directors, as opposed to recommending a potential nominee for consideration by the Committee and the Board of Directors, are required to comply with the advance notice and any other requirements of the Bank's Bylaws, applicable laws, and regulations.

The Bank has not paid a fee to any third party to identify or evaluate director candidates. The Committee and the Board of Directors may, however, elect to use third parties in the future to identify or evaluate candidates for consideration as directors.

**Human Resource and Compensation Committee.** The Human Resource and Compensation Committee is responsible for review and approval of compensation and benefits philosophy, programs, plans, and policies. The Committee ensures that compensation programs are competitive and compliant with applicable regulations. The Committee reviews and approves salaries and incentive compensation for executive officers; and reviews recommendations for corporate titles. The Committee also reviews awards under equity based compensation plans. The Committee is responsible for establishing goals, evaluating performance, and generating recommendation of compensation for the President & Chief Executive Officer. The members of the Committee are each "independent" as defined under NASDAQ Listing Rule 5605(a)(2). The Committee did not engage the services of any outside consultants to provide advice regarding compensation and benefits during 2013. The members of the Committee are Directors Ruhnke (Chair), Giudici, Hightower, and Thelen. The Committee met two times during 2013.

**Loan Committee.** The Loan Committee is responsible for fulfilling Loan Committee duties in accordance with the Bank’s Credit Policy, including: (i) review and approval of loan and credit requests exceeding certain thresholds; (ii) establishing loan and credit related policies; and (iii) reviewing the Bank’s loan portfolio. The Committee also monitors loan officer compliance with lending policies, verifies that management follows proper procedures in monitoring and maintaining the allowance for loan and lease losses, and assesses concentrations of credit. The Committee also has general oversight responsibility for the Bank’s policy and performance under the Community Reinvestment Act (“CRA”). The members of the Committee are Directors Wayland (Chair), Freeland, Giudici, Gollnick, Ruhnke, and Thelen. The Committee met twenty-seven times during 2013.

**Information Systems Steering Committee.** The Information Systems Steering Committee is responsible for ensuring that the Bank effectively follows the information technology related policies approved by the Board. The Committee assesses technology infrastructure and the Bank’s business continuity plan and reviews current trends in technology with the objective of ensuring that the Bank is effectively conducting technology planning. The Committee also reviews information technology related audits and regulatory examination reports, ensuring that any corrective actions are timely and accurately implemented. The members of the Committee are Directors Hightower (Chair), Freeland, John, and Ruhnke. The Committee met three times during 2013.

**Availability of Committee Charters.** Each of the Audit and Compliance Committee, Corporate Governance and Nominating Committee, and Human Resources and Compensation Committee operates pursuant to a separate written charter adopted by the Board of Directors. Each Committee reviews its charter at least annually. All of the Committee charters can be viewed at the “Shareholder-Information” link under “About Us” on our website [www.1stCapitalBank.com](http://www.1stCapitalBank.com). Each charter is also available in print form upon request by any shareholder to: Corporate Secretary, 1st Capital Bank, 5 Harris Court, Building N, Suite 3, Monterey, California 93940.

## DIRECTOR COMPENSATION

Directors are entitled to receive compensation in the form of fees for attendance at meetings of the Board of Directors and committees of the Board on which they serve and awards of stock options and restricted shares under the Bank’s 2007 Equity Incentive Plan (the “2007 Plan”). The 2007 Plan set aside 966,255 shares of the Bank’s no par value common stock to be reserved for issuance under the 2007 Plan for the award of incentive and non-statutory stock options and restricted shares to non-employee directors, officers, employees, and consultants of the Bank and a one-time award of non-statutory stock options to the organizers of the Bank. Only non-statutory stock options may be granted to non-employee directors and consultants under the 2007 Plan. As of the Record Date, there were 91,900 shares reserved for issuance underlying non-statutory stock options for directors, all of which were then vested. In addition, as of the Record Date, there were 16,500 shares reserved for issuance of associated time-based restricted share awards, none of which were then vested or would vest within 60 days of the Record Date.

The following table reflects the compensation earned and paid to the Bank’s non-employee directors during the fiscal year 2013.

### Director Compensation<sup>(1)</sup>

(In Whole Dollars)	Fees Earned Or Paid In Cash	Time- Based Restricted Share Awards	Stock Option Awards	Non- Equity Incentive Plan Compen- sation	Non- Qualified Deferred Compen- sation Earnings	All Other Compen- sation	Total
Name <sup>(2)</sup>							
William G. Dorey <sup>(3)</sup>	--	--	--	--	--	--	\$ 0
Susan C. Freeland	--	--	--	--	--	--	\$ 0
Francis Giudici	--	--	--	--	--	--	\$ 0
Kurt J. Gollnick	--	--	--	--	--	--	\$ 0
Daniel R. Hightower, M.D.	--	--	--	--	--	--	\$ 0
Francis H. Rianda <sup>(4)</sup>	--	--	--	--	--	--	\$ 0
Henry P. Ruhnke, Jr.	--	--	--	--	--	--	\$ 0
Gregory T. Thelen	--	--	--	--	--	--	\$ 0
F. Warren Wayland	--	--	--	--	--	--	\$ 0

(1) The Board of Directors approved time-based (one year) restricted share awards for directors in November 2012. Those awards vested during November 2013 to the extent not previously forfeited. No new restricted share awards were made to directors during 2013. There were therefore no unvested restricted share awards to directors outstanding at December 31, 2013. As of December 31, 2013, the aggregate number of non-statutory stock options held by individual directors are as follows, with all of such stock options vested at December 31, 2013: Ms. Freeland, 22,500; Mr. Gollnick 23,500; Dr. Hightower, 20,400; and Mr. Thelen, 25,500.

(2) Mr. John was appointed to the Board of Directors in February 2014.

(3) Mr. Dorey resigned from the Board of Directors effective as of October 30, 2013.

(4) Mr. Rianda resigned from the Board of Directors and was appointed a Director Emeritus on August 16, 2013.

The Board of Directors elected to not be paid any cash director fees during 2013. Instead, they voted to receive 100% of their compensation in the form of restricted shares. The Board of Directors approved this pay structure in order to emphasize their alignment with the generation of long term shareholder value and in support of the expansion of the Bank's capital base, which in turn facilitates the Bank's growth.

In a regularly scheduled Board meeting held on January 22, 2014, the Board approved the award of 3,000 time-based restricted shares to Chairman Gollnick and the award of 2,000 time-based restricted shares to each of Directors Freeland, Giudici, Hightower, Ruhnke, Thelen, and Wayland, for a total of 15,000 restricted share awards. The fair value of the Bank's common stock on January 22, 2014 was \$11.26 per share. The foregoing time-based restricted share awards vest on November 22, 2014.

In a regularly scheduled Board meeting held on March 26, 2014, the Board approved the award of 1,500 time-based restricted shares to Director John. The fair value of the Bank's common stock on March 26, 2014 was \$11.35 per share. Mr. John's time-based restricted share award vests on November 26, 2014.

The aggregate fair value of the foregoing restricted share awards granted during the first quarter of 2014 was \$185,925.

## **EXECUTIVE COMPENSATION / COMPENSATION DISCUSSION AND ANALYSIS** **("CD&A")**

The Human Resource and Compensation Committee is responsible for overseeing the Bank's compensation and benefits structure, policies, and programs. During 2013, none of the members of the Committee was an officer (or former officer) or employee of the Bank. No executive officers of the Bank had any interlocking relationship with any other for-profit entity during 2013, including serving on the compensation committee or serving as a director of another entity that would present an interlocking relationship.

The Committee makes recommendations to the Board of Directors regarding the compensation and benefits for directors, officers (including executive officers), and employees. A key function of this Committee is to ensure that executive officers are compensated in a manner consistent with the Bank's compensation strategies, internal equity considerations, competitive practices, and the requirements of applicable regulatory bodies. The Committee also:

- develops the Bank's overall compensation strategies;
- reviews the effectiveness of the Bank's compensation strategies in ensuring that executive management is rewarded appropriately, with a balance between short term and long term objectives and remuneration;

- establishes performance objectives for the President and Chief Executive Officer;
- determines the individual elements of compensation and benefits for the President and Chief Executive Officer and other executive officers;
- reviews executive management's recommendations for corporate titles and equity based compensation awards to employees and makes appropriate recommendations to the full Board of Directors; and
- reviews other incentive compensation programs, including those for relationship officers and branch office staff.

### **Compensation Philosophy**

The objectives of the Bank's compensation program are designed to:

- provide motivation for the executive officers to enhance shareholder value by linking their compensation to the generation of core earnings and the operation of the Bank in a safe and sound manner;
- integrate total compensation with the Bank's short term and long term performance goals and the objective of increasing shareholder value;
- attract high performing executive officers by providing total compensation opportunities which are consistent with externally competitive norms of the financial services industry and the Bank's level of performance;
- retain qualified executives vital to the success of the organization;
- to align pay with performance; and
- reward above average individual and corporate performance as measured by financial results and strategic achievements.

There are five key elements to the Bank's compensation program for executives:

1. base salary;
2. equity compensation;
3. incentive compensation;
4. participation in nonqualified benefit plans; and
5. other benefits.

The Committee believes that this five-part program best serves the interests of the Bank and its shareholders. This program allows the Bank to be competitive within the industry, and ensures retention of high quality executive officers. At the same time, it advances both the short term and the long term interests of shareholders.

The Committee generally meets on at least an annual basis to review salaries and other forms of compensation and benefits. Such compensation and benefits may include elements that constitute long term incentives such as restricted shares and stock options awarded under the Bank's 2007 Equity Incentive Plan, deferred compensation under the Bank's Nonqualified Deferred Compensation Plan, retirement benefits under the Bank's 401(k) Plan, health and welfare benefits, and termination severance benefits in addition to short term elements such as base salary and incentive compensation.

### **Compensation Review Process**

***Peer Group and Benchmark Targets.*** The Committee selected a compensation peer group, based on the asset ranges of the institutions and their geographical locations, from the California Bankers' Association survey. This survey was supplemented by the Committee's review of a sample of proxy statements from banks with similar business models and of similar age. The combined peer group provides a benchmark against banks that have executive positions with responsibilities similar in breadth and scope to the Bank and that compete with the Bank for executive talent. Using the survey data, the Committee considered "marketplace compensation," adjusted for reviews of Bank and individual performance.

***Review of Executive Performance.*** The Committee reviews, on an annual basis, each compensation element for each executive officer. In each case, the Committee takes into account the scope of responsibilities and years of experience and balances these against competitive salary levels and other information contained in the survey data. The Committee members had the opportunity to interact with the executive officers throughout the year, allowing the Committee to form its own assessment of each executive officer's performance. Following review of the survey data and interaction with executive officers, the Committee makes its own assessments and approves compensation for recommendation to the Board of Directors for each executive officer.

## Long Term Incentives

**2007 Equity Incentive Plan.** The Bank maintains one share-based compensation plan, the 1st Capital Bank 2007 Equity Incentive Plan (“2007 Plan”). The 2007 Plan has been approved by the Bank’s shareholders and permits the grant of stock options and restricted share awards for up to 966,255 shares of the Bank's common stock. The 2007 Plan is designed to attract and retain employees and directors, while also aligning the interests of award recipients with the creation of long term shareholder value. The amount, frequency, and terms of share-based awards may vary based on competitive practices, the Bank's operating results, and government regulations. New shares are issued upon option exercise or lapse of restrictions. The 2007 Plan does not provide for the settlement of awards in cash. In addition, the 2007 Plan requires that the exercise price of options may not be less than the fair market value of the stock at the date the option is granted, and that the exercise price must be paid in full at the time the option is exercised.

The 2007 Plan provides that stock options and restricted share awards may be awarded to non-employee directors, organizers, officers, employees, and consultants of the Bank. Organizers received a one-time award of non-statutory stock options that were fully vested at the date of award in connection with the Bank’s organization. All stock options and restricted share awards are adjusted to protect against dilution in the event of certain changes in the Bank’s capitalization, including stock splits and stock dividends. The Bank’s practice is that the full Board of Directors approves all stock options and restricted share awards at regularly scheduled meetings. The Board of Directors administers the 2007 Plan and authorizes the award of stock options and restricted share awards thereunder, including awards to executive officers.

### *Stock Options*

The 2007 Plan provides for the issuance of both incentive stock options and non-statutory stock options. All stock options granted under the 2007 Plan have an exercise price equal to the fair value of the Bank’s common stock on the date of award. The Board of Directors sets the exercise price for each stock option using the closing price of the Bank’s common stock as quoted on the OTCQB Marketplace on the date of the award. Stock options become exercisable in accordance with a vesting schedule established at the award date. Generally, stock option vesting occurs ratably over the first three years following the award date and stock options expire ten years from the date of award. The term of a stock option cannot extend beyond ten years from the date of each stock option award.

### *Restricted Share Awards*

Restricted share awards are grants of shares of the Bank's common stock that are subject to forfeiture until specific conditions or goals are met. The 2007 Plan allows for both time-based and performance-based restricted share awards. Conditions for vesting may be based on continuing employment or service and / or achieving specified performance goals. During the period of restriction, Plan participants holding restricted share awards have no voting or cash dividend rights. The restrictions lapse in accordance with a schedule or with other conditions determined by the Board of Directors as reflected in each award agreement. 2007 Plan participants have the opportunity to elect tax information reporting of the award of restricted shares within thirty days of award under Internal Revenue Code Section 83(b).

### *Change In Control*

Upon a change in control of the Bank or upon the occurrence of certain other events as further described in the 2007 Plan, outstanding stock options and restricted share awards under the 2007 Plan become fully vested and exercisable in the case of stock options and fully vested without restrictions in the case of restricted share awards. Stock options and restricted share awards or equivalent equity based compensation may be substituted by a successor corporation.

See the "Summary Compensation Table" and footnotes thereto and the "Outstanding Equity Awards Table" and footnotes thereto in this Proxy Statement for more information regarding the awards to the executive officers under the 2007 Plan.

**401(k) Retirement Plan.** The Bank maintains the 1st Capital Bank 401(k) Profit Sharing Plan and Trust ("Plan") to enable employees to save for retirement under a tax-advantaged plan and to furnish employees the opportunity to directly manage their retirement assets through a variety of investment options. The Plan allows eligible employees to elect to contribute from 0.00% to 92.00% of their eligible compensation to the Plan, subject to the annual contribution limit established by the Internal Revenue Service applicable to each employee. During 2013, the Bank matched 50% of the employee's Plan contributions up to 6.00% of their eligible compensation.

The Plan was converted to a "safe harbor" plan effective January 1, 2014. In conjunction with this change, the Bank commenced 100% matching of the employee Plan contributions up to 1.00% of their eligible compensation; and then 50% matching of the employee Plan contributions above 1.00% and up to 6.00% of their eligible compensation. In addition, all Bank matching contributions became immediately fully vested effective with the transition of the Plan to a safe harbor classification.

The 401(k) Plan does not provide the employees the option to invest directly in the Bank's common stock, nor does the Bank use its common stock for matching purposes.

***Nonqualified Deferred Compensation Plan.*** The Bank established the 1st Capital Bank Nonqualified Deferred Compensation Plan (“Plan”) effective December 1, 2012. The Plan is a defined contribution program. Participants in the Plan are general unsecured creditors of the Bank. The Plan was established for the purpose of providing the executive officers and certain other highly compensated employees an opportunity to defer compensation. Participants in the Plan may elect to defer annually: (i) any bonus or incentive compensation; and (ii) any amount of base salary in excess of \$3,000 per month. At the time of election to defer compensation, the participants must also elect a distribution date and a distribution method. Participants may elect to receive amounts payable to him or her in a lump sum or in annual installments over a designated period to not exceed ten years. The Bank pays the administrative costs of the Plan, but does not make contributions to the Plan aside from interest credited. The Plan requires the Bank to pay interest on the deferred balances at a rate equal to the Wall Street Journal Prime Rate on November 1 of the preceding year, set annually for each calendar year, subject to a floor of 0.00%. Participants were first eligible to contribute to the Plan on January 1, 2013. For 2013, the interest rate credited was 3.25%.

***Health and Welfare Benefits.*** The Bank offers health and welfare programs to all eligible employees. The executive officers generally are eligible for the same benefit programs on the same basis as the general employee base. The health and welfare programs are intended to protect employees against catastrophic loss and encourage a healthy lifestyle. The health and welfare programs include medical, pharmacy, dental, vision, life insurance, and accidental death and dismemberment benefits; flexible spending accounts for both health and dependent care costs; paid vacation; and personal absence time. During 2013, coverage under the life insurance program offered benefit amounts specific to each executive officer. Effective January 1, 2014, the Bank modified its life insurance benefit program to provide a consistent \$50,000 death benefit to all eligible employees. The Bank pays 100% of the premiums for the health and welfare programs for the executive officers.

The Bank offers a long term disability program that provides income replacement to the executive officers and other eligible employees after a 180-day disability period at a rate of 66 2/3% of basic monthly earnings up to a maximum benefit of \$10,000 per month until age 65 or recovery per the terms and conditions of the program.

***Termination Severance Benefits.*** The Bank has entered into employment agreements with certain of its executive officers under which certain benefits are provided to the executive officers as part of their overall compensation and benefits to promote long term retention of the executives and provide security against early termination events. In addition to incidental compensation and benefits, including group life, health and disability insurance, four weeks annual vacation, and reimbursement for business expenses, the employment agreements include termination severance benefits. See “Employment Agreements and Potential Post-Employment Payments” in this Proxy Statement for a description of the employment agreements and severance benefits.

## Short Term Incentives

***Salary and Bonus Compensation.*** Base salary and bonus compensation are intended to reward short term performance. Base salary is reviewed annually by the Board Human Resource and Compensation Committee and recommendations are made to the Board of Directors based on evaluation of compensation data from peer banks and financial and other performance factors reflected in the results of operations of the Bank. Prior to January 1, 2013, the Bank maintained a discretionary bonus plan. Effective for fiscal year 2013, the Board adopted a plan under which bonus compensation may be paid based upon achievement of Bank-wide and individual performance criteria, with the Board of Directors approving the Bank-wide performance criteria and also retaining discretionary authority over the plan. For 2014, the Committee has determined that incentive compensation for executive officers may be paid in the form of restricted shares in addition to cash. See the “Summary Compensation Table” and footnotes thereto in this Proxy Statement for more information regarding the base salaries and other compensation and benefits applicable to the Bank’s executive officers.

See the discussion regarding the Committee’s functions under the heading “Human Resource and Compensation Committee” in this Proxy Statement.

See also Proposal No. 3 “Advisory (non-binding) Vote to Approve the Bank’s Named Executive Officer Compensation.” Because your vote is advisory, it will not be binding upon the Board of Directors and may not be construed as overruling any decision by the Board of Directors. However, the Board of Directors may, in its sole discretion, take into account the outcome of the vote when considering named executive officer compensation programs.

The following table reflects the compensation earned and paid to the Bank’s executive officers for the fiscal years indicated. “EVP” represents “Executive Vice President.”

## Summary Compensation Table

(In Whole Dollars)								
Name And Principal Positions	Year	Salary <sup>(1)</sup>	Bonus <sup>(2)</sup>	Restricted Share Awards <sup>(3)</sup>	Stock Option Awards <sup>(3)</sup>	Non-qualified Deferred Compensation Earnings <sup>(4)</sup>	All Other Compensation <sup>(5)</sup>	Total
Mark R. Andino <sup>(6)</sup> President & Chief Executive Officer	2013	\$ 156,000	\$ --	\$ --	\$ --	\$ 361	\$ 40,255	\$ 196,616
	2012	\$ 32,500	\$ --	\$ 506,250	\$ --	\$ --	\$ 8,000	\$ 546,750
	2011	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
C. Frederick Rowden <sup>(7)</sup> Former President & Chief Executive Officer	2013	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
	2012	\$ 214,656	\$ 38,000	\$ --	\$ --	\$ --	\$ 49,000	\$ 301,656
	2011	\$ 190,000	\$ 38,000	\$ --	\$ --	\$ --	\$ 50,000	\$ 278,000
Dale R. Diederick <sup>(8)</sup> EVP & Chief Credit Officer	2013	\$ 168,542	\$ --	\$ --	\$ --	\$ --	\$ 26,094	\$ 194,636
	2012	\$ 144,000	\$ 15,000	\$ --	\$ 22,094	\$ --	\$ 24,000	\$ 205,094
	2011	\$ 48,000	\$ --	\$ --	\$ --	\$ --	\$ 9,000	\$ 57,000
Jon D. Ditlevsen <sup>(9)</sup> EVP & Chief Lending Officer	2013	\$ 104,063	\$ 5,000	\$ 228,800	\$ --	\$ --	\$ 8,523	\$ 346,386
	2012	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
	2011	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Jayme C. Fields <sup>(10)</sup> Former EVP & Chief Financial Officer	2013	\$ 127,439	\$ --	\$ --	\$ --	\$ 294	\$ 127,695	\$ 255,428
	2012	\$ 169,520	\$ 25,500	\$ --	\$ --	\$ --	\$ 32,000	\$ 227,020
	2011	\$ 165,717	\$ 25,428	\$ --	\$ --	\$ --	\$ 32,000	\$ 223,145
Marilyn P. Goode EVP & Chief Administrative Officer	2013	\$ 156,000	\$ 5,000	\$ --	\$ --	\$ --	\$ 20,054	\$ 181,054
	2012	\$ 156,000	\$ 23,500	\$ --	\$ --	\$ --	\$ 22,000	\$ 201,500
	2011	\$ 152,500	\$ 23,400	\$ --	\$ --	\$ --	\$ 21,000	\$ 196,900
Geoffrey M. Loftus <sup>(11)</sup> Former EVP & Chief Credit Officer	2013	\$ 59,364	\$ --	\$ --	\$ --	\$ --	\$ 12,756	\$ 72,120
	2012	\$ 161,200	\$ 24,500	\$ --	\$ --	\$ --	\$ 43,000	\$ 228,700
	2011	\$ 157,583	\$ 24,180	\$ --	\$ --	\$ --	\$ 35,000	\$ 216,763

- (1) Amounts shown include cash and non-cash compensation earned and received by executive officers as well as amounts earned but deferred at the election of those officers under the 401(k) Plan and / or the Bank's Nonqualified Deferred Compensation Plan. The Bank entered into an employment agreement with Mr. Andino dated as of October 24, 2012. The Bank entered into an employment agreement with Ms. Goode dated as of September 28, 2011. These employment agreements are discussed hereafter in this Proxy Statement under the heading "Employment Agreements and Potential Post-Employment Payments."
- (2) The Bank did not achieve its minimum performance criteria to fund the incentive compensation plan during 2013. However, certain discretionary bonus payments were approved by the Board of Directors after evaluation of individual performance. Amounts indicated as bonus payments were earned for performance during the year indicated.
- (3) These columns show the grant date fair value of awards in accordance with stock-based compensation accounting rules (FASB ASC Topic 718). For more information concerning the assumptions used for these calculations, please refer to Note 13 in the Bank's audited financial statements included in the Bank's Annual Report to Shareholders for the year ended December 31, 2013. Mr. Andino received a time-based award of 45,000 restricted shares on October 24, 2012 which vests 20% per year in arrears over five years. Mr. Ditlevsen received a time-based award of 20,000 restricted shares on June 19, 2013 which vests 20% per year in arrears over five years. Mr. Diederick received an award of 5,100 incentive stock options on January 25, 2012 which vests 33.33% per year in arrears over three years. See the "Outstanding Equity Awards at Fiscal Year-End" table for additional information regarding these awards.
- (4) Amounts represent interest credited by the Bank on amounts deferred under the Nonqualified Deferred Compensation Plan.
- (5) Amounts in the "All Other Compensation" column for 2013 are composed of the following:

(In Whole Dollars)	Health & Welfare Benefits	Auto Allowance	Social Club Memberships	401(k) Plan Match	Housing Allowance	Severance Benefits	Total
Mark R. Andino	\$ 21,434	\$ --	\$ 8,116	\$ 3,705	\$ 7,000	\$ --	\$ 40,255
Dale R. Diederick	\$ 26,094	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 26,094
Jon D. Ditlevsen	\$ 8,523	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,523
Jayne C. Fields <sup>(10)</sup>	\$ 16,407	\$ 5,950	\$ --	\$ 5,338	\$ --	\$ 100,000	\$ 127,695
Marilyn P. Goode	\$ 12,489	\$ 6,000	\$ --	\$ 1,565	\$ --	\$ --	\$ 20,054
Geoffrey M. Loftus	\$ 10,306	\$ 2,450	\$ --	\$ --	\$ --	\$ --	\$ 12,756

- (6) The salary and benefits reported for Mr. Andino reflect those received since the commencement of his employment on October 16, 2012. Mr. Andino was appointed as the Bank's Interim President and Chief Executive Officer on November 10, 2012. On February 28, 2013, Mr. Andino was appointed as the President and Chief Executive Officer.
- (7) Mr. Rowden passed away on November 9, 2012 while serving in office.
- (8) Mr. Diederick was appointed as the Bank's Executive Vice President and Chief Credit Officer effective April 5, 2013. Compensation for Mr. Diederick reflects compensation earned and paid in his former position as First Vice President and Senior Credit Officer during prior disclosed periods.
- (9) Mr. Ditlevsen joined the Bank as its Executive Vice President and Chief Lending Officer on June 10, 2013.
- (10) Ms. Fields resigned as the Bank's Executive Vice President and Chief Financial Officer effective as of September 9, 2013. Under the terms of her Separation Agreement, the Bank agreed to pay her the sum of \$100,000 in twelve approximately equal monthly instalments, all of which cash severance pay was accrued by the Bank in 2013 and is reflected in the table above. In addition, the Bank agreed to absorb 100% of the cost of any health and welfare benefits elected by Ms. Fields under federal or state COBRA coverage for a period of up to their earlier of when Ms. Fields obtained replacement coverage from another employer or one year.
- (11) Mr. Loftus resigned as the Bank's Executive Vice President and Chief Credit Officer effective as of April 5, 2013.

The following table shows contributions and interest credited during 2013 and account balances as of December 31, 2013 under the Bank's Nonqualified Deferred Compensation Plan. Interest credited was paid by the Bank.

### Nonqualified Deferred Compensation

(In Whole Dollars)	Executive Contributions During 2013 <sup>(1)</sup>	Bank Contributions During 2013	Aggregate Earnings During 2013 <sup>(1)(2)</sup>	Aggregate Withdrawals / Distributions During 2013	Aggregate Balance At 12/31/2013 <sup>(3)</sup>
Mark R. Andino	\$ 24,000	\$ --	\$ 361	\$ --	\$ 24,361
Jayne C. Fields	\$ 14,875	\$ --	\$ 294	\$ --	\$ 15,169

- (1) These amounts were reported for the year 2013 in the Summary Compensation Table.
- (2) Earnings are credited to the accounts based upon the terms of the Plan. The earnings credit rate is equal to the Wall Street Journal Prime Rate on November 1 of the preceding year. The rate credited for 2013 was 3.25%.
- (3) The Plan is an unfunded plan. For additional information regarding the Plan, please see "Long Term Incentives – Nonqualified Deferred Compensation Plan" in this Proxy Statement.

The following table shows the outstanding stock option and restricted share awards under the Bank's 2007 Equity Incentive Plan held at the end of fiscal year 2013 by the executive officers named in the "Summary Compensation Table."

### Outstanding Equity Awards at Fiscal Year-End

Name	Stock Option Awards				Restricted Share Awards	
	Number Of Securities Underlying Unexercised Options <sup>(1)</sup> Exercisable	Number Of Securities Underlying Unexercised Options <sup>(1)</sup> Unexercisable	Option Exercise Price <sup>(2)</sup>	Option Expiration Date	Number Of Shares That Have Not Vested	Market Value Of Shares That Have Not Vested <sup>(3)</sup>
Mark R. Andino <sup>(4)</sup>	--	--	--	--	36,000	\$ 407,880
Dale R. Diederick <sup>(5)</sup>	1,700	3,400	\$ 11.42	1/25/2022	---	--
Jon D. Ditlevsen <sup>(6)</sup>	--	--	--	--	20,000	\$ 226,600
Marilyn P. Goode	10,200 2,550 2,550	-- -- --	\$ 10.29 \$ 6.72 \$ 8.58	7/16/2017 2/25/2019 3/4/2020	-- -- --	-- -- --

- (1) Reflects incentive stock options which vest ratably in arrears over the first three years following the award date. Each incentive stock option has a ten year term from the award date to the stock option expiration date.
- (2) The stock option exercise price equals the fair market value of the common stock on the award date.
- (3) Based upon a closing price of \$11.33 per share for the Bank's common stock on December 31, 2013.
- (4) The restricted shares for Mr. Andino vest 20% per year in arrears from the award date of October 24, 2012.
- (5) An additional 1,700 stock options held by Mr. Diederick vested on January 25, 2014. The final 1,700 stock options held by Mr. Diederick vest on January 25, 2015.
- (6) The restricted shares for Mr. Ditlevsen vest 20% per year in arrears from the award date of June 19, 2013.

Mr. Winiarski was granted a time-based restricted share award for 20,000 shares on March 26, 2014, with such shares to vest at 20% per year in arrears over five years.

The following table lists stock option exercises and restricted stock vested during the year ended December 31, 2013.

### Stock Option Exercises and Restricted Stock Vested

(In Whole Dollars)	Stock Option Awards		Restricted Stock Awards	
	Number Of Shares Acquired On Exercise	Value Realized On Exercise	Number Of Shares Acquired On Vesting	Value Realized On Vesting <sup>(1)</sup>
Name				
Mark R. Andino	--	--	9,000	\$ 102,780
Jayne C. Fields	36,459	\$ 66,314	--	--
Geoffrey M. Loftus	37,308	\$ 74,908	--	--

- (1) Represents the product of the number of shares acquired on vesting and the closing price of the Bank's common stock on the vesting date.

## Equity Compensation Plan Information

The table below lists information regarding Bank common stock issuable underlying stock options and restricted shares under the 2007 Equity Incentive Plan at December 31, 2013. The Bank has no other equity compensation plan and there are no warrants or other rights outstanding that would result in the issuance of shares of the Bank's common stock.

Plan Category	Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants, And Rights (a)	Weighted Average Exercise Price Of Outstanding Options, Warrants, And Rights <sup>(1)</sup> (b)	Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a)) (c)
Equity compensation plans approved by security holders	332,961	\$ 10.31	356,871
Equity compensation plans not approved by security holders	--	--	--
Total	332,961	\$ 10.31	356,871

(1) Calculated based upon the exercise price for outstanding stock options and the fair value of the restricted share awards at the date of grant.

### Employment Agreements and Potential Post-Employment Payments

**Employment Agreement with Mr. Andino.** The Bank entered into an employment agreement with Mr. Andino to be effective as of October 24, 2012. The agreement includes payment of a base salary, which is subject to an annual review by the Human Resource and Compensation Committee of the Board. As of the Record Date, the base salary for Mr. Andino was \$156,000 per year. At the end of each calendar year, the amount of bonus compensation, if any, to be paid to Mr. Andino is to be determined by the Board of Directors of the Bank based upon evaluation of Mr. Andino's performance and that of the Bank. The amount of bonus compensation potentially payable to Mr. Andino is based upon the terms of the Bank's incentive compensation plan, Mr. Andino's performance, the Bank's operating results, and the discretion of the Board of Directors. The agreement provides for other incidental compensation and benefits, including group life, health, and disability insurance, the premiums for which are paid by the Bank, four weeks annual vacation, and reimbursement for business expenses. Auto expenses are paid on a reimbursement basis and Mr. Andino was provided with a housing allowance of \$2,000 per month for his initial six months of employment.

As required by the agreement, the Bank awarded Mr. Andino 45,000 restricted shares that vest 20% per year in arrears over five years. The agreement is an at-will contract that may be terminated by either party at any time. If the Bank terminates Mr. Andino's employment for reasons that constitute cause as described in the agreement, he will not be entitled to any further amounts except as earned through his last day of employment. If the Bank terminates Mr. Andino's employment without cause, he will be entitled to: (i) his earned compensation through his last day of employment; and (ii) a lump sum severance payment equal to \$200,000. If Mr. Andino's employment terminates in connection with or within eighteen months after consummation of a Change of Control as defined in the agreement, Mr. Andino is entitled to: (i) his earned compensation through his last day of employment; (ii) a severance payment equal to \$400,000; and (iii) the immediate vesting of any unvested restricted shares. Amounts paid or payable to Mr. Andino under the agreement in any annual period may be limited in order to eliminate taxes upon the payments to Mr. Andino and the Bank's loss of deductibility of the amounts paid under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended.

**Employment Agreement with Ms. Goode.** The Bank entered into an employment agreement with Ms. Goode to be effective as of September 28, 2011 pursuant to which Ms. Goode serves as the Bank's Executive Vice President and Chief Administrative Officer, subject to the direction of the Chief Executive Officer and the Board of Directors of the Bank. The agreement includes payment of a base salary, which is subject to an annual review by the Chief Executive Officer and the Board of Directors. As of the Record Date, the base salary for Ms. Goode was \$156,000 per year. At the end of each calendar year, the amount of bonus compensation, if any, to be paid to Ms. Goode is to be determined by the Board of Directors of the Bank based upon evaluation of Ms. Goode's performance and that of the Bank. Bonus payments are based on performance criteria and the Board of Directors' evaluation of various financial factors relevant to the operations of the Bank at the time of establishment of such criteria. The agreement provides for other incidental compensation and benefits, including group life, health, and disability insurance, the premiums for which are paid by the Bank, an auto allowance, four weeks annual vacation, and reimbursement for business and membership expenses.

The agreement is an at-will contract that may be terminated by either party at any time. If the Bank terminates Ms. Goode's employment for cause, she will not be entitled to any further amounts except as earned through her last day of employment. If the Bank terminates Ms. Goode's employment without cause, she will be entitled to: (i) her earned compensation through her last day of employment; (ii) a severance payment equal to twelve months of her annual base salary; and (iii) continuation of group insurance coverage for 12 months, with all associated premiums paid by the Bank. If Ms. Goode's employment terminates in connection with a Change of Control or certain enumerated termination events as described in the agreement, Ms. Goode is entitled to: (i) her earned compensation through her last day of employment; (ii) a severance payment equal to one and one-half times the sum of (A) her annual base salary and (B) her average incentive compensation received during the three-year period ending with the year of the termination or occurrence of the terminating event specified; and (iii) continuation of group insurance coverage for 18 months, with all associated premiums paid by the Bank. Amounts payable to Ms. Goode under the agreement in any annual period may be limited in order to eliminate taxes upon the payments to Ms. Goode and the Bank's loss of deductibility of the amounts paid under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended.

### **Change of Control**

Management is not aware of any arrangements, including the pledge by any person of shares of the Bank, the operation of which may at a subsequent date result in a change in control of the Bank.

### **Transactions with Related Persons**

There have been no material transactions during the year ended December 31, 2013, nor are there any presently proposed transactions, to which the Bank was or is to be a party in which the amount involved exceeds the lesser of \$120,000 or 1% of the average of the Bank's total assets at year-end 2013, and in which any director, executive officer, nominee for director, or 5% shareholder, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

## **Indebtedness of Management and Directors**

Certain of the Bank's directors and executive officers, as well as members of their immediate families, associates, and companies and organizations with which they are affiliated or associated, are also customers of, and have had banking transactions with, the Bank in the ordinary course of business. The Bank expects to continue to have such ordinary banking transactions with these persons and entities in the future. In the opinion of the management of the Bank, all loans and commitments to lend to the Bank's directors, executive officers, and principal shareholders:

- have been made in the ordinary course of business and in compliance with applicable laws;
- were made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable transactions with the Bank's other customers; and
- do not involve more than the normal risk of collectability or present other unfavorable features.

In addition, the Bank has strong policies regarding such loans to ensure that they are made using credit underwriting procedures that are no less stringent than those applicable for comparable transactions with persons outside the Bank. Loans to individual directors and executive officers must comply with certain statutory lending limits. In addition, prior approval of the Bank's Board of Directors is required for all such loans. At December 31, 2013, the Bank maintained \$11.7 million in credit commitments to directors and executive officers. These credit commitments had outstanding balances of \$5.8 million at December 31, 2013, equivalent to 15.4% of stockholders' equity.

The Bank does not lease any property from its directors or executive officers.

## **Shareholder Communications**

A majority of the members of the Board of Directors, each of whom is "independent" as defined under NASDAQ Listing Rule 5605(a)(2), has established procedures for receipt and delivery of shareholder communications addressed to the Board of Directors. Any such shareholder communications, including communications by employees of the Bank solely in their capacity as shareholders, should be mailed or delivered to the Bank addressed as follows: Board of Directors, 1st Capital Bank, 5 Harris Court, Building N, Suite 3, Monterey, California 93940.

**PROPOSAL NUMBER 2**  
**RATIFICATION OF THE SELECTION OF INDEPENDENT ACCOUNTANTS**

The firm of Crowe Horwath LLP served as independent accountants for the audit of the Bank's financial statements as of and for the years ended December 31, 2013 and 2012. Crowe Horwath LLP provided various services to the Bank as described below during the fiscal years 2013 and 2012.

Crowe Horwath LLP has no interests, financial or otherwise, in the Bank, and the Bank has had no disagreements with its accountants with respect to accounting principles, practices, or financial statement disclosure. It is anticipated that one or more representatives of Crowe Horwath LLP will be present at the Annual Meeting and will be able to make a statement if they so desire and answer appropriate questions.

The Audit and Compliance Committee approved 100% of all professional services rendered by Crowe Horwath LLP during 2013 and 2012, including pre-approval of all audit and non-audit services. The Audit and Compliance Committee has discussed with management and Crowe Horwath LLP independence issues regarding the following fees billed by Crowe Horwath LLP for 2013 and 2012 and concluded that there were no independence issues:

(In Whole Dollars)	Amount Billed For 2013	Amount Billed For 2012
Type Of Fees Paid To Crowe Horwath LLP		
Audit Fees <sup>(1)</sup>	\$ 92,000	\$ 117,000
Audit-Related Fees <sup>(2)</sup>	5,000	3,000
Tax Services <sup>(3)</sup>	15,000	16,000
All Other Fees <sup>(4)</sup>	<u>          --</u>	<u>          --</u>
Total	<u>\$ 112,000</u>	<u>\$ 136,000</u>

- (1) Audit fees consist of fees for professional services rendered for the audit of the Bank's financial statements.
- (2) Audit-related fees represent fees for professional services such as the audit of employee benefit plans, technical accounting, consulting, and research.
- (3) Tax services consist of tax payment planning services and tax compliance services.
- (4) All other fees, if any, consist of miscellaneous consulting services related to accounting, finance, planning, and regulatory matters.

Audit fees declined from 2012 to 2013 primarily in conjunction with the Bank's decision during 2013 to voluntarily deregister its common shares under the Securities Exchange Act of 1934, as amended.

The Board of Directors has appointed Crowe Horwath LLP to serve as the Bank's independent accountants for the fiscal year 2014. The ratification of the appointment of Crowe Horwath LLP as the Bank's independent accountants requires the affirmative vote of a majority of the shares represented and voting at the Annual Meeting. If shareholders do not ratify the selection of Crowe Horwath LLP, the Board of Directors will reconsider the selection. The Board of Directors reserves the right, in its discretion, to select alternative independent accountants notwithstanding ratification by shareholders, at any time that the Board of Directors determines that such a change would be in the best interests of the Bank and its shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” PROPOSAL NUMBER 2.**

**PROPOSAL NUMBER 3  
ADVISORY (NON-BINDING) VOTE  
TO APPROVE THE BANK’S NAMED EXECUTIVE OFFICER COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provides shareholders with the opportunity to vote on an advisory (non-binding) basis, to approve the compensation of the Bank’s named executive officers as further described in the “Compensation Discussion and Analysis” and “Executive Compensation” sections of this Proxy Statement, including the related compensation tables and narrative discussion. This proposal, commonly known as a “Say-On-Pay” proposal, provides the Bank’s shareholders the opportunity to express their views on our executive compensation program, as it relates to our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies, and practices described in this Proxy Statement.

The Board of Directors currently anticipates submitting the Bank’s executive officer compensation program to a non-binding advisory vote of our shareholders every year as a best practice and in response to the non-binding shareholder vote in favor of an annual voting frequency at our 2013 Annual Meeting.

We ask our shareholders to indicate their support for our executive compensation program for our named executive officers and vote “FOR” the following resolution at the 2014 Annual Meeting:

*“RESOLVED, that the Bank’s shareholders approve, on an advisory basis, the compensation paid to the Bank’s named executive officers as disclosed in this Proxy Statement, including the discussion in the “Executive Compensation” and “Compensation Discussion and Analysis” sections of this Proxy Statement and the related compensation tables and narrative discussion.”*

Because your vote is advisory, it will not be binding upon the Board of Directors or the Human Resource and Compensation Committee and may not be construed as overruling any decision by the Board or the Committee. However, the Board of Directors and the Committee may, in their respective sole discretion, take into account the outcome of the vote when considering future executive compensation arrangements.

Shareholders are encouraged to carefully review the “Executive Compensation” and “Compensation Discussion and Analysis” sections of this Proxy Statement and the related compensation tables and narrative discussion for a detailed discussion of the Bank’s executive compensation program for our named executive officers.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” PROPOSAL NUMBER 3.**

**REPORT OF THE HUMAN RESOURCE AND COMPENSATION COMMITTEE**

The Human Resource and Compensation Committee reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on such review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement. The Committee reviewed and evaluated the potential for any adverse risk to the Bank as a result of the compensation policies and practices.

Submitted by:

Henry P. Ruhnke, Jr., Chairman  
Francis Giudici  
Daniel R. Hightower, M.D.  
Gregory T. Thelen

**REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE**

The Bank’s management is responsible for internal controls, the financial reporting process, and the preparation of the financial statements. The Bank’s independent accountants, Crowe Horwath LLP, are responsible for performing an audit of the Bank’s financial statements in accordance with auditing standards generally accepted in the United States of America and for expressing an opinion as to their conformity in all material respects with US GAAP. It is the Committee’s responsibility to monitor and oversee these processes.

The Committee has reviewed and discussed the audited financial statements of the Bank for the fiscal year ended December 31, 2013 with management and Crowe Horwath LLP, the Bank's independent accountants. Management has represented that these reports were prepared in accordance with accounting principles generally accepted in the United States. The Committee has discussed with Crowe Horwath LLP the matters required to be discussed by Statement on Auditing Standards No. 114 ("The Auditor's Communication with Those Charged with Governance") as may be modified or supplemented. In addition, the Committee has received and reviewed the disclosures required by Independence Standards Board Standard No. 1 ("Independence Discussions With Audit Committees") and has discussed the accountant's independence from the Bank and its management. The Committee believes Crowe Horwath LLP to be independent.

The Committee discussed fraud notification with management and the independent accountants. The Committee has received no notifications regarding fraudulent activity.

Based on the Committee's review and discussions noted above, the Committee recommended to the Board of Directors that the Bank's audited financial statements be included in the Bank's Annual Report to Shareholders for the fiscal year ended December 31, 2013.

Submitted by:

Gregory T. Thelen, Chairman  
Susan C. Freeland  
Kurt J. Gollnick  
Steven G. John  
F. Warren Wayland

### **WEBSITE ACCESS**

The Bank maintains a website at [www.1stCapitalBank.com](http://www.1stCapitalBank.com) where additional information regarding the Bank may be obtained.

### **ANNUAL REPORT**

The Annual Report to Shareholders for the year ended December 31, 2013, is being mailed concurrently with this Proxy Statement to all shareholders of record as of the Record Date. The 2013 Annual Report is also available on the Bank's website.

## **ANNUAL DISCLOSURE STATEMENT**

The Bank has prepared an Annual Disclosure Statement as required by Federal Deposit Insurance Corporation regulations, a copy of which may be obtained upon written request to: Corporate Secretary, 1st Capital Bank, 5 Harris Court, Building N, Suite 3, Monterey, California 93940.

## **SHAREHOLDER PROPOSALS**

Next year's Annual Meeting of Shareholders is currently scheduled to be held on June 17, 2015. Any shareholder wishing to submit a proposal for action at the 2015 Annual Meeting of Shareholders which is desired to be presented in the Bank's Proxy Statement with respect to the 2015 Annual Meeting of Shareholders, should mail the proposal by certified mail, return receipt requested, to: 1st Capital Bank, 5 Harris Court, Building N, Suite 3, Monterey, California 93940, Attention: Corporate Secretary. All such proposals must be received by the Bank not later than December 29, 2014. Matters pertaining to such proposals, including the number and length thereof, eligibility of persons entitled to have such proposals included, and other aspects, are subject to all applicable laws and regulations.

## **OTHER MATTERS**

The Board of Directors does not know of any matters to be presented at the Annual Meeting other than those presented in this Proxy Statement. No shareholder proposals were submitted for the 2014 Annual Meeting. However, if other matters properly come before the Annual Meeting, it is the intention of the persons named in the accompanying Proxy to vote the Proxy in accordance with the recommendations of the Bank's Board of Directors on such matters, and discretionary authority to do so is included in the Proxy.

April 28, 2014

By Order Of The Board Of Directors:



Michael J. Winiarski  
*Corporate Secretary*

**YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN, DATE, AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**