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# FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

## FORM 8-K

### CURRENT REPORT

#### PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **June 28, 2019**

### Summit State Bank

(Exact name of registrant as specified in its charter)

California  
(State or other jurisdiction of  
incorporation)

32203  
(FDIC Certificate No.)

94-2878925  
(IRS Employer Identification  
Number)

500 Bicentennial Way  
Santa Rosa, California  
(Address of principal executive offices)

95403  
(Zip Code)

(707) 568-6000  
(Registrant's telephone number, including area code)

N/A  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

| <b>Title of each class</b> | <b>Trading Symbol(s)</b> | <b>Name of each exchange on which registered</b> |
|----------------------------|--------------------------|--|
| Common Stock               | SSBI                     | NASDAQ Global Market                             |

### **Item 1.01. Entry into a Material Definitive Agreement**

On June 28, 2019, Summit State Bank (the “Bank”) issued and sold \$6.0 million of fixed-to-floating rate subordinated notes with the maturity date of June 30, 2029 (the “Notes”) pursuant to a subordinated note purchase agreement in a private placement (the “Agreement”). The Bank issued the Notes without registration under the Securities Act of 1933, as amended, pursuant to the exemptions afforded by sections 3(a)(2) and 4(a)(2) of such act.

The Notes will initially bear interest at 6.00% per annum from and the date of issuance to but excluding, June 30, 2024, payable quarterly in arrears. From and including June 30, 2024, to but excluding June 30, 2029 or an earlier redemption date, the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month LIBOR (but not less than zero) plus 362 basis points, payable quarterly in arrears. The Bank may, at its option, redeem the Notes, in whole or part, at any time after the fifth anniversary of issuance, subject to any required regulatory approvals.

The Bank intends to use the net proceeds from the sale of the Notes for general corporate purposes.

### **Item 2.03. Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant**

The disclosures under Item 1.01 above are incorporated hereunder in their entirety.

### **Item 7.01. Regulation FD Disclosure**

On July 2, 2019, the Bank issued a press release regarding the sale of the Note, a copy of which is filed as Exhibit 99.1 to this report.

The information contained in this Item and exhibit 99.1 filed with this report shall be deemed furnished and not filed.

### **Item 9.01. Financial Statements and Exhibits**

#### **(c) Exhibits:**

The exhibit list called for by this item is incorporated by reference to the Exhibit Index filed as part of this report.

### **SIG NATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Dated: July 2, 2019

### **SUMMIT STATE BANK**

By: /s/ Camille Kazarian  
Camille Kazarian  
Executive Vice President and Chief Financial  
Officer (Duly Authorized Officer)

## Exhibit Index

| <u>Exhibit<br/>Number</u> | <u>Description</u>   |
|---------------------------|--|
| 4.1                       | Form of 6.0% Fixed to Floating Rate Subordinated Note due 2029 |
| 10.1                      | Form of Note Purchase Agreement dated June 28, 2019,           |
| 99.1                      | Press Release of Summit State Bank dated July 2, 2019          |

**FORM OF SUBORDINATED NOTE**

**SUMMIT STATE BANK**

**THIS OBLIGATION IS NOT A DEPOSIT AND IS NOT INSURED BY THE UNITED STATES OR ANY AGENCY OR FUND OF THE UNITED STATES, INCLUDING THE FEDERAL DEPOSIT INSURANCE CORPORATION.** THIS OBLIGATION IS SUBORDINATED TO THE CLAIMS OF GENERAL AND SECURED CREDITORS OF THE BANK AND THE CLAIMS OF DEPOSITORS OF THE BANK, IS INELIGIBLE AS COLLATERAL FOR ANY EXTENSION OF CREDIT BY THE BANK OR ANY OF ITS SUBSIDIARIES AND IS UNSECURED.

THIS OBLIGATION IS SUBORDINATED AND JUNIOR IN RIGHT OF PAYMENT TO THE CLAIMS OF CREDITORS AND DEPOSITORS OF SUMMIT STATE BANK (THE "BANK"), OTHER THAN CLAIMS WHICH BY THEIR TERMS RANK EQUALLY WITH OR ARE SUBORDINATED TO THIS OBLIGATION, AND IS UNSECURED. IT IS INELIGIBLE AS COLLATERAL FOR ANY EXTENSION OF CREDIT BY THE BANK OR ANY OF ITS SUBSIDIARIES. IN THE EVENT OF LIQUIDATION, ALL DEPOSITORS AND GENERAL AND SECURED CREDITORS OF THE BANK SHALL BE ENTITLED TO BE PAID IN FULL WITH SUCH INTEREST AS MAY BE PROVIDED BY LAW BEFORE ANY PAYMENT SHALL BE MADE ON ACCOUNT OF PRINCIPAL OF OR INTEREST ON THIS SUBORDINATED NOTE.

NO PAYMENT SHALL AT ANY TIME BE MADE ON ACCOUNT OF THE PRINCIPAL HEREOF, UNLESS FOLLOWING SUCH PAYMENT THE AGGREGATE OF THE BANK'S SHAREHOLDERS' EQUITY AND CAPITAL NOTES OR DEBENTURES THEREAFTER OUTSTANDING SHALL BE THE EQUAL OF SUCH AGGREGATE AT THE DATE OF THE ORIGINAL ISSUE OF THIS SUBORDINATED NOTE, OR AS MAY BE OTHERWISE AUTHORIZED BY THE CALIFORNIA COMMISSIONER OF DEPARTMENT OF BUSINESS OVERSIGHT (THE "CDBO").

THIS SUBORDINATED NOTE WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN MINIMUM DENOMINATIONS OF \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF SUCH NOTES IN A DENOMINATION OF LESS THAN \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SUBORDINATED NOTE FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF PAYMENTS ON THIS SUBORDINATED NOTE, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SUBORDINATED NOTE.

THIS SUBORDINATED NOTE MAY BE SOLD ONLY IN COMPLIANCE WITH APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THIS SUBORDINATED NOTE HAS BEEN ISSUED PURSUANT TO A PERMIT ISSUED BY THE DBO AND MAY ONLY BE TRANSFERRED IN COMPLIANCE WITH THE LAWS AND REGULATIONS OF THE DBO. THIS SUBORDINATED NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SUBORDINATED NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE CALIFORNIA FINANCIAL CODE AND THE SECURITIES ACT. THIS SUBORDINATED NOTE MAY NOT WITHOUT THE PRIOR WRITTEN CONSENT OF THE CDBO UNLESS SUCH TRANSFER IS MADE TO AN "ACCREDITED INVESTOR" AS SUCH TERM IS DEFINED IN 17 C.F.R. 230.215, ANY AY PURPORTED SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH THE FOREGOING REQUIREMENTS WILL BE VOID.

**CERTAIN ERISA CONSIDERATIONS:**

EACH PURCHASER AND HOLDER OF THIS SUBORDINATED NOTE, OR ANY INTEREST HEREIN, BY ITS ACCEPTANCE HEREOF OR THEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT EITHER (1) IT IS NOT AN EMPLOYEE BENEFIT PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR

ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) (EACH A “PLAN”), A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF ANY SUCH PLAN, OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF ANY PLAN’S INVESTMENT IN THE ENTITY, OR (II) THAT SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SUBORDINATED NOTE, OR ANY INTEREST HEREIN, ARE NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE. **ANY FIDUCIARY OF ANY PLAN WHO IS CONSIDERING THE ACQUISITION OF THIS SUBORDINATED NOTE OR ANY INTEREST HEREIN SHOULD CONSULT WITH HIS OR HER LEGAL COUNSEL PRIOR TO ACQUIRING THIS SUBORDINATED NOTE OR ANY INTEREST HEREIN.**

SUMMIT STATE BANK

6.0% FIXED-TO-FLOATING SUBORDINATED NOTE DUE 2029

Certificate No.: 2029-\_\_

CUSIP: \_\_\_\_\_

U.S. \$ \_\_\_\_\_

Dated: June 28, 2019

FOR VALUE RECEIVED, the undersigned, SUMMIT STATE BANK, a California banking corporation (the “Bank”), promises to pay to the order of \_\_\_\_\_ or its registered assigns (collectively, the “Holder”), the principal amount of \$ \_\_\_\_\_ (\_\_\_\_\_ DOLLARS), in the lawful currency of the United States of America, or such lesser or greater amount as shall then remain outstanding under this Subordinated Note, at the times and in the manner provided herein, but no later than June 30, 2029 (the “Maturity Date”), or such other date upon which this Subordinated Note shall become due and payable, whether by reason of extension, acceleration or otherwise.

Interest on this Subordinated Note will be payable in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on September 30, 2019, to the Holder of record on March 15, June 15, September 15 and December 15 and at maturity.

Reference is hereby made to the further provisions of this Subordinated Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Bank has caused this instrument to be duly executed.

SUMMIT STATE BANK

By: \_\_\_\_\_  
James E. Brush  
President and Chief Executive Officer

ATTEST:

\_\_\_\_\_  
Barbara Goodman  
Corporate Secretary

[REVERSE SIDE OF NOTE]

SUMMIT STATE BANK  
6.0% FIXED-TO-FLOATING SUBORDINATED NOTE DUE 2029

The Bank promises to pay interest on the principal amount of this Subordinated Note, commencing on the original issue date of this Subordinated Note, until June 30, 2029 (the “Maturity Date”), or such earlier date as this Subordinated Note is paid in full, at the rate provided herein. The unpaid principal balance of this Subordinated Note plus all accrued but unpaid interest thereon shall be due and payable on the Maturity Date, or such earlier date on which such amount shall become due and payable. This Subordinated Note is one of the “Notes” referred to in that certain Subordinated Note Purchase Agreement, dated June 30, 2019 (the “Purchase Agreement”), by and among the Bank, the Holder (referred to therein as the “Purchaser”) and the other Purchasers (as defined therein) of the Notes, and the Subordinated Note is entitled to the benefits thereof. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

1. Computation and Payment of Interest. This Subordinated Note will bear interest (a) from and including the original issue date of this Subordinated Note to but excluding June 30, 2024 (the “Fixed-Rate Period End Date”) (or the earlier Redemption Date contemplated by Section 4(a) herein), payable quarterly in arrears at simple interest of six percent (6.0%) per annum (the “Fixed Interest Rate”) on each Interest Payment Date through and including the Fixed-Rate Period End Date; and (b) from and including the Fixed-Rate Period End Date to but excluding the Maturity Date (the “Floating-Rate Period”), at the rate per annum, reset quarterly, equal to the Benchmark plus 362 basis points (the “Floating Interest Rate”), payable quarterly in arrears on each Interest Payment Date during the Floating-Rate Period. “Interest Payment Date” means March 31, June 30, September 30 and December 31 of each year through the Maturity Date. The payments of interest and principal, if any, due on any Interest Payment Date shall be paid to the holders of record on the fifteenth (15th) of the month of each Interest Payment Date. Interest, whether based on the Fixed Interest Rate or the Floating Interest Rate, shall be computed on the basis of thirty (30)-day months and a year of three hundred sixty (360) days.

Notwithstanding anything herein to the contrary, (A) the Bank shall not pay any interest on this Note while it remains in default in the payment of any assessment to the FDIC if payment of such interest would then be prohibited by 12 U.S.C. Section 1828(b) (or any successor statute), and (B) if the Bank becomes a critically undercapitalized depository institution, the Bank shall not make any payments of principal or interest on this Note if the Bank would then be prohibited from making any such payments by 12 U.S.C. Section 1831o (or any successor statute), provided, in each case, (x) interest shall continue to accrue on this Note, and (y) the Bank shall not be relieved from making such payments of principal or interest on this Note when permitted by applicable law.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, FOR SO LONG AS THE BANK IS AN INSURED, STATE NONMEMBER BANK, RETIREMENT, REDEMPTION OR PREPAYMENT OF THIS NOTE IS SUBJECT TO THE PROVISIONS OF SECTION 18(i)(1) OF THE FEDERAL DEPOSIT INSURANCE ACT, 12 U.S.C. SECTION 18(i)(1), REQUIRING THAT NO SUCH BANK SHALL REDUCE THE AMOUNT OR RETIRE ANY PART OF ITS COMMON OR PREFERRED CAPITAL STOCK, OR RETIRE ANY PART OF ITS CAPITAL NOTES OR DEBENTURES WITHOUT THE PRIOR WRITTEN CONSENT OF THE FDIC. THE FDIC HAS NOT GIVEN ANY CONSENT TO RETIREMENT, REDEMPTION OR PREPAYMENT OF THIS NOTE, AND ANY RETIREMENT, REDEMPTION OR PREPAYMENT OF ALL OR PART OF THE PRINCIPAL AMOUNT OF THIS NOTE, INCLUDING THE PAYMENT BY THE BANK OF THE PRINCIPAL AMOUNT OF THIS NOTE WHEN DUE AND PAYABLE AT THE MATURITY HEREOF, WHETHER BY VOLUNTARY OR INVOLUNTARY PAYMENT OR BY ANY OTHER PAYMENT, UPON ACCELERATION OF THE MATURITY OF THIS NOTE IN ACCORDANCE WITH SECTION 5 HEREOF, OR OTHERWISE, INCLUDING BY MEANS OF BANKER’S LIEN, SETOFF, OFFSET OR SIMILAR LEGAL OR EQUITABLE RIGHTS, BY APPLICATION OF ANY PROPERTY OR OTHER ASSETS OF THE BANK TO THE PAYMENT, REALIZATION UPON, PURCHASE, OR OTHER ACQUISITION OF THIS NOTE, OR IN ANY OTHER WAY, IS SUBJECT TO THE SPECIFIC PRIOR WRITTEN CONSENT OF THE FDIC. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH HOLDER OF THIS NOTE WHICH IS A DEPOSITORY INSTITUTION (REGARDLESS OF WHERE CHARTERED AND WHETHER OR NOT INSURED BY THE FDIC) EXPRESSLY WAIVES ANY RIGHT OF BANKER’S LIEN, SETOFF OFFSET, OR SIMILAR LEGAL OR EQUITABLE RIGHT, WHICH SAID

HOLDER MAY OTHERWISE HAVE UNDER ANY APPLICABLE PROVISIONS OF STATUTORY OR COMMON LAWS.

If a Benchmark Replacement Date shall have occurred prior to the Reference Time for any determination of the Benchmark, the Replacement Benchmark shall be selected and such determination and all subsequent determinations will be made using the Replacement Benchmark as of the Reference Time for such Replacement Benchmark.

“Benchmark” means LIBOR; provided that if a Benchmark Replacement Date shall have occurred with respect to LIBOR, then the term “Benchmark” shall mean the applicable Replacement Benchmark, in either case as observed two (2) New York banking days prior to the first day of the applicable floating rate interest period.

“Benchmark Discontinuance Event” means the occurrence of one or more of the following events with respect to a Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of such Benchmark announcing that such administrator has ceased or will cease to provide such Benchmark, permanently or indefinitely, *provided that*, at the time of the statement or publication, there is no successor administrator that will continue to provide such Benchmark;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark, the central bank for the currency of such Benchmark, an insolvency official with jurisdiction over the administrator for such Benchmark, a resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, which states that the administrator of such Benchmark has ceased or will cease to provide such Benchmark permanently or indefinitely, *provided that*, at the time of the statement or publication, there is no successor administrator that will continue to provide such Benchmark;

(3) a Benchmark rate is not published by the administrator of such Benchmark for five consecutive business days and such failure is not the result of a temporary moratorium, embargo or disruption declared by the administrator of such Benchmark or by the regulatory supervisor for the administrator of such Benchmark and the Benchmark cannot be determined by reference to an Interpolated Period;

(4) a public statement or publication of information by the administrator of such Benchmark that it has invoked or will invoke, permanently or indefinitely, its insufficient submissions policy; or

(5) a public statement by the regulatory supervisor for the administrator of such Benchmark announcing that such Benchmark is no longer representative or may no longer be used.

“Benchmark Replacement Date” means:

(1) for purposes of clauses (1) and (2) of the definition of “Benchmark Discontinuance Event,” the later of (a) the date of such public statement or publication of information and (b) the date on which the administrator of the relevant Benchmark permanently or indefinitely ceases to provide such Benchmark,

(2) for purposes of clause (3) of the definition of “Benchmark Discontinuance Event,” the first business day following such five (5) consecutive business days,

(3) for purposes of clause (4) of the definition of “Benchmark Discontinuance Event,” the later of (a) the date of such public statement or publication of information and (b) the date such insufficient submissions policy is invoked, and

(4) for purposes of clause (5) of the definition of “Benchmark Discontinuance Event,” the later of (a) the date of such public statement and (b) the date as of which the Benchmark may no longer be used (or, if applicable, is no longer representative).

If a Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time for any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and such determination will be made using the applicable Replacement Benchmark.

“Compounded SOFR” means a compounded average of daily SOFR calculated over a Corresponding Period or Interpolated Period, as applicable, that ends on the second New York business day preceding the first day of the applicable interest period, compounded according to the provisions describing the methodology for compounding set forth under “USD-SOFR-COMPOUND” of the ISDA Definitions.

“Corresponding Period” with respect to a Replacement Benchmark means a period or maturity (including overnight) having approximately the same length (disregarding business day adjustments) as the term period for LIBOR.

“Federal Reserve Bank of New York’s Website” means the website of the Board of Governors of the Federal Reserve System at <http://www.newyorkfed.org>, or any successor source.

“Interpolated Period” with respect to a Benchmark means the period determined by interpolating on a linear basis between: (1) such Benchmark for the longest period (for which such Benchmark is available) that is shorter than the Corresponding Period and (2) such Benchmark for the shortest period (for which such Benchmark is available) that is longer than the Corresponding Period.

“ISDA” means the International Swaps and Derivatives Association, Inc. or any successor thereto.

“ISDA Fallback Rate” means the rate to be effective upon the occurrence of an Index Cessation Event with respect to the Benchmark according to (and as defined in) the ISDA Definitions, where such rate may have been adjusted for a tenor equal to the Corresponding Period or Interpolated Period, but without giving effect to any additional spread adjustment to be applied according to such ISDA Definitions.

“ISDA Definitions” means the 2006 ISDA Definitions published by ISDA, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published by ISDA from time to time.

“LIBOR” means, the offered rate for deposits in U.S. dollars having a maturity of three (3) months, as published by ICE Benchmark Administration Limited, a company incorporated in England, or a comparable or successor regulated quoting service, as of the Reference Time (or, if LIBOR has not been published as of the Reference Time, as of the first preceding day for which LIBOR was published); provided that if LIBOR having the maturity of three (3) months shall not be available at the Reference Time, then LIBOR shall mean LIBOR for the Interpolated Period.

“Reference Time” with respect to any determination of a Benchmark means (1) in the case of LIBOR, 11:00 a.m. (London time) on the day that is two (2) London banking days preceding the date of such determination, (2) in the case of a forward-looking term SOFR, as published at approximately 8 a.m. (New York time) on the day that is two (2) New York business days preceding the date of such determination, and (3) in the case of any other Benchmark, as of approximately 8 a.m. (New York time) on the day that is two (2) New York business days preceding the date of such determination.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“Replacement Benchmark” means:

(1) the forward-looking term SOFR rate for a Corresponding Period (or, if there is no Corresponding Period, such rate for the Interpolated Period) that shall have been selected, endorsed or recommended as the forward-looking term SOFR by the Relevant Governmental Body, plus the applicable Replacement Benchmark Spread; *provided* that:

(2) if the Unadjusted Replacement Benchmark cannot be determined as of the Benchmark Replacement Date in accordance with clause (1) above, then the Replacement Benchmark shall be Compounded SOFR, plus the applicable Replacement Benchmark Spread; *provided, further*, that:

(3) if the Unadjusted Replacement Benchmark cannot be determined as of the Benchmark Replacement Date in accordance with clause (1) or (2) above, then the Replacement Benchmark shall be SOFR determined as of the Reference Time and remaining in effect for the duration of the Corresponding Period, plus the applicable Replacement Benchmark Spread; *provided, further*, that:

(4) if the Unadjusted Replacement Benchmark cannot be determined as of the Benchmark Replacement Date in accordance with clause (1), (2) or (3) above, then the Replacement Benchmark shall be such other alternate, substitute or successor rate as shall have been selected, endorsed or recommended by the Relevant Governmental Body as the replacement for such Replacement Benchmark, plus the applicable Replacement Benchmark Spread; *provided, further*, that:

(5) if the Unadjusted Replacement Benchmark cannot be determined as of the Benchmark Replacement Date in accordance with clause (1), (2), (3) or (4) above, then the Replacement Benchmark shall be the fallback rate that is applicable under “USD-SOFR-COMPOUND” following the occurrence of a SOFR Index Cessation Event (as such terms are defined in the ISDA Definitions), plus the applicable Replacement Benchmark Spread; *provided, further*, that:

(6) if the Unadjusted Replacement Benchmark cannot be determined in accordance with clause (1), (2), (3) or (4) above as of the Benchmark Replacement Date and the Bank, or its designee, (a) shall have determined, in its sole discretion, that the Unadjusted Replacement Benchmark determined in accordance with clause (5) above, if any, is not an industry-accepted successor rate for determining the rate of interest as a replacement to the Benchmark for floating rate note issuances at such time and (b) shall have selected, in its sole discretion, as of the Benchmark Replacement Date an alternate rate of interest to replace the Benchmark that is an industry-accepted successor rate for determining a rate of interest as a replacement to the Benchmark for floating rate notes at such time, then the Replacement Benchmark shall be the rate so determined in clause (b), plus the applicable Replacement Benchmark Spread.

“Replacement Benchmark Spread” with respect to any Replacement Benchmark, means:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that shall have been selected, endorsed or recommended by the Relevant Governmental Body for the applicable Unadjusted Replacement Benchmark, *provided* that:

(2) if the Replacement Benchmark Spread cannot be determined as of the Benchmark Replacement Date in accordance with clause (1) above and the applicable Unadjusted Replacement Benchmark is equivalent to the ISDA Fallback Rate, then the Replacement Benchmark Spread shall be the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) (“ISDA Spread Adjustment”) that shall have been selected by ISDA as the spread adjustment that would apply to such ISDA Fallback Rate, *provided, further*, that:

(3) if (a) the Replacement Benchmark Spread cannot be determined as of the Benchmark Replacement Date in accordance with clause (1) or (2) above or (b) the Bank, or its designee, shall have determined, in its sole discretion as of the Benchmark Replacement Date, that the ISDA Spread Adjustment determined in accordance with clause (2) above does not produce a Replacement Benchmark that is an

industry-accepted successor rate for floating rate notes at such time, then the Replacement Benchmark Spread shall be the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) determined by the Bank, or its designee, in its sole discretion (that modifies the ISDA Spread Adjustment, if available) to produce a Replacement Benchmark that is an industry-accepted successor rate for floating rate notes at such time.

“SOFR” means the daily Secured Overnight Financing Rate provided by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Unadjusted Replacement Benchmark” means the Replacement Benchmark excluding the applicable Replacement Benchmark Spread.

2. Non-Business Days. Whenever any payment to be made by the Bank hereunder shall be stated to be due on a day that is not a business day, such payment shall be made on the next succeeding business day without change in any computation of interest with respect to such payment (or any succeeding payment). “Business day” means any day other than a Saturday, Sunday or any other day on which banking institutions in New York or California are permitted or required by any applicable Law or executive order to close.

3. Transfer. The Bank or its agent (the “Registrar”) shall maintain a register of each holder of the Subordinated Note. The Bank shall be entitled to treat each Person in its register as the beneficial owner of this Subordinated Note. The Subordinated Note will initially be issued in certificated form. This Subordinated Note may be transferred in whole or in part at the principal offices of the Bank or Registrar, accompanied by due endorsement or written instrument of transfer. Upon such surrender and presentment, the Bank or the Registrar shall issue one or more Subordinated Notes with an aggregate principal amount equal to the aggregate principal amount of this Subordinated Note and registered in such name or names requested by the holder of record, each in a minimum denomination of \$100,000 or any amount in excess thereof which is an integral multiple of \$1,000 (and, in the absence of an opinion of counsel satisfactory to the Bank to the contrary, bearing the restrictive legend(s) set forth hereinabove) and shall update its register accordingly. Such transferee shall be solely responsible for delivering to the Bank or the Registrar a mailing address or other information necessary for the Bank or the Registrar to deliver notices and payments to such transferee. Any Subordinated Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed and accompanied by a written instrument of transfer in such form as is attached hereto and incorporated herein, duly executed by the holder or its attorney duly authorized in writing, with such tax identification number or other information for each person in whose name a Subordinated Note is to be issued, and accompanied by evidence of compliance with any restrictive legend(s) appearing on such Subordinated Note or Subordinated Notes as the Bank may reasonably request to comply with applicable law. No exchange or registration of transfer of this Subordinated Note shall be made on or after the fifteenth (15th) day immediately preceding the Maturity Date. THERE CAN BE NO TRANSFER OF THIS SUBORDINATED NOTE WITHOUT THE PRIOR WRITTEN CONSENT OF THE CDBO UNLESS SUCH TRANSFER IS MADE TO AN “ACCREDITED INVESTOR” AS SUCH TERM IS DEFINED IN 17 C.F.R. 230.215.

4. Affirmative Covenants of the Bank. During the time that any portion of the principal balance of this Subordinated Note is unpaid and outstanding, the Bank shall take or cause to be taken the actions set forth below.

(a) Notice of Certain Events. The Bank shall provide written notice to the Holder of the occurrence following the date of this Subordinated Note of the following events as soon as practicable but in no event later than ten (10) business days following the Bank’s becoming aware of the occurrence of such event (provided, however, that no such notice will be required if such occurrence was disclosed pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)):

(i) the Bank becomes less than “well capitalized” pursuant to then-applicable regulatory capital standards;

(ii) the Bank or any executive officer of the Bank becomes subject to any formal, written regulatory enforcement action;

(iii) the ratio of non-performing assets to total assets of the Bank, as calculated by the Bank in the ordinary course of business and consistent with past practices, becomes greater than four percent (4.0%);

(iv) the appointment, resignation, removal or termination of the chief executive officer, president, chief operating officer, chief financial officer, chief credit officer, chief lending officer or any director of the Bank; or

(v) there occurs a change in ownership of twenty-five percent (25.0%) or more of the voting securities of the Bank, except as a result of the issuance of Bank common stock.

(b) Compliance with Laws. The Bank and each Subsidiary of the Bank shall comply with the requirements of all Laws, regulations, orders, and decrees applicable to it or its properties, except for such noncompliance that would not reasonably be expected to have a Material Adverse Effect.

(c) Taxes and Assessments. The Bank and each of its Subsidiaries shall punctually pay and discharge all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income or upon any of its properties; provided, that no such taxes, assessments or other governmental charges need be paid if they are being contested in good faith by the Bank.

(d) Compliance Certificate. If the Bank has not filed a quarterly report on Form 10-Q pursuant to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for such quarter, then, not later than forty-five (45) days following the end of each fiscal quarter (other than a fiscal quarter ending December 31) or if the Bank has not filed an annual report on Form 10-K pursuant to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for a fiscal year, then, not later than ninety (90) days following the end of each fiscal year, the Bank shall provide the Holder with a certificate (the "Compliance Certificate"), executed by the principal executive officer and principal financial officer of the Bank in their capacities as such, stating whether as of the end of such immediately preceding fiscal quarter, (i) the Bank has complied with all notice provisions and covenants contained in this Subordinated Note; (ii) an Event of Default has occurred; (iii) an event of default has occurred under any other indebtedness of the Bank; or (iv) an event or events have occurred that in the reasonable judgment of the management of the Bank would have a material adverse effect on the ability of the Bank to perform its obligations under this Subordinated Note.

(e) Financial Statements; Access to Records.

(i) If the Bank has not filed a quarterly report on Form 10-Q pursuant to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for such quarter, then, not later than forty-five (45) days from the end of each fiscal quarter other than the fiscal quarter ending December 31, the Bank shall provide the Holder with copies of the Bank's unaudited consolidated balance sheet and statement of income (loss) for and as of the end of such immediately preceding fiscal quarter, prepared in accordance with past practice and in a form substantially similar to the form provided to the Holders prior to the date hereof. Quarterly financial statements, if required herein, shall be unaudited and, except for the balance sheet and statement of income (loss) for the Bank, need not comply with GAAP, provided that footnotes may be omitted from all such financial statements.

(ii) If the Bank has not filed an annual report on Form 10-K pursuant to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for such fiscal year, then, not later than ninety (90) days from the end of each fiscal year, the Bank shall provide the Holder with copies of the Bank's audited financial statements consisting of the consolidated balance sheet of the Bank as of date of the fiscal year end and the related statements of income (loss) and retained earnings, shareholders' equity and cash flows for the fiscal year then ended. Such financial statements shall be prepared in accordance with GAAP applied on a consistent basis throughout the period involved.

(f) Business Continuation. The Bank shall use reasonable best efforts to maintain and preserve intact the current organization, business and franchise of the Bank including but not limited to (i) maintaining the corporate existence of the Bank, and (ii) conducting the business of the Bank in the ordinary course of business consistent with past practice.

(g) Approval of Repayment at Maturity, Redemption or Other Principal Payments. If the approval of the FDIC, California Department of Business Oversight (the “CDBO”), or other governmental agency is required prior to any such payment, the Bank shall use commercially reasonable best efforts to obtain any and all such approvals prior to maturity or redemption. In the event that any such required approval is not obtained, the Bank shall, upon Holder’s reasonable request, reapply for such approval, cooperate with Holder to secure such approval and use commercially reasonable best efforts to obtain such approval. For the avoidance of doubt, upon the failure to make a payment of principal at maturity or redemption, (x) interest shall continue to accrue on this Note, and (y) the Bank shall not be relieved from making such payments of principal or interest on this Note when permitted by applicable law.

5. Negative Covenants.

(a) The Bank shall not declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Bank if the Bank is not “well capitalized” pursuant to then-applicable regulatory capital standards, both immediately prior to the declaration of such dividend or distribution and after giving effect to the payment of such dividend or distribution, other than (i) dividends or distributions payable solely in shares of common stock, or options, warrants or rights to subscribe for or purchase shares of, any class of the Bank’s capital stock; (ii) any declaration of a dividend in connection with the implementation of a shareholders’ rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto; or (iii) as a result of a reclassification of the Bank’s capital stock or the exchange or conversion of one class or series of Borrower’s capital stock for another class or series of the Bank’s capital stock; (iv) the purchase of fractional interests in shares of the Bank’s capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged or (v) purchases of any class of the Bank’s common stock related to the issuance of common stock or rights under any of benefit plans for the Bank’s directors, officers, employees or consultants or any of the Bank’s dividend reinvestment plans.

(b) Other than in connection with a Corporate Transaction which complies with Section 8 hereof, the Bank shall not take any action, omit to take any action or enter into any other transaction that would have the effect of (i) the liquidation or dissolution of the Bank, or (ii) the Bank ceasing to be an “insured depository institution” under Section 3(c)(2) of the Federal Deposit Insurance Act, as amended.

6. Subordination.

(a) The indebtedness of the Bank evidenced by this Subordinated Note, including the principal and interest, shall be subordinate and junior in right of payment to its obligations to (i) the Bank’s general and secured creditors, whether now outstanding or hereafter incurred, except such other creditors holding obligations of the Bank ranking by their terms on a parity with or junior to this Subordinated Note, and (ii) the claims of the Bank’s depositors. No provision of this Subordinated Note shall be construed to prohibit or restrict the Bank’s ability to issue, renew or extend any senior indebtedness or obligations that rank on a parity with or junior to this Subordinated Note. In the event of any insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshaling of assets and liabilities or similar proceedings or any liquidation or winding up of or relating to the Bank, whether voluntary or involuntary, all such obligations shall be entitled to be paid in full before any payment shall be made on account of the principal of or interest on this Subordinated Note. In the event of any such proceedings, after payment in full of all sums owing on such prior obligations, the Holder, together with holders of any obligations of the Bank ranking on a parity with this Subordinated Note (including but not limited to the holders of the other Subordinated Notes), shall be entitled to be paid from the remaining assets of the Bank the unpaid principal thereof and any interest thereon before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Bank ranking junior to this Subordinated Note. Nothing herein shall impair the obligation of the Bank, which is absolute and unconditional, to pay the principal of and interest on this Subordinated Note according to its terms.

(b) Notwithstanding the provisions of Section 6(a) above, the obligations of the Bank evidenced by this Subordinated Note, including the principal and interest, shall be senior in right and interest of payment to the indebtedness of the Bank in connection with any future indebtedness of the Bank that is expressly made junior to this Subordinated Note by the terms of such indebtedness. Nothing herein shall act to prohibit, limit

or impede the Bank from issuing additional debt of the Bank having the same rank as the Subordinated Notes or which may be junior or senior in rank to the Subordinated Notes.

(c) The Holder, if a depository institution, waives any applicable right of offset by it as a lender.

7. Events of Default and Remedies.

(a) Notwithstanding any cure periods described below, the Bank shall immediately notify Holder in writing when the Bank obtains knowledge of the occurrence of any default specified below. Regardless of whether the Bank has given the required notice, the occurrence of one or more of the following will constitute an “Event of Default” under this Subordinated Note:

(i) the Bank fails to pay any principal of or installment of interest on this Subordinated Note when due (or, in the case of interest, after a fifteen (15)-day grace period) (for the avoidance of doubt, a failure to make a payment of principal and interest due to the failure to obtain any required regulatory approval of such payment constitutes an Event of Default);

(ii) the Bank fails to keep or perform any of its agreements, undertakings, obligations, covenants or conditions under the Purchase Agreement or this Subordinated Note not expressly referred to in another clause of this Section 7 and such failure continues until the earlier of (A) for a period of thirty (30) days, if the Bank’s failure to keep or perform such agreement, undertaking, obligation, covenant or condition is known the Bank or (B) fifteen (15) days after a Holder’s notice to the Bank, if the Bank’s failure to keep or perform such agreement, undertaking, obligation, covenant or condition is not known the Bank;

(iii) any certification made pursuant to the Purchase Agreement or this Subordinated Note by the Bank or otherwise made in writing in connection with or as contemplated by the Purchase Agreement or this Subordinated Note by the Bank shall be materially incorrect or false as of the delivery date of such certification, or any representation to Holder by the Bank as to the financial condition or credit standing of the Bank is or proves to be false or misleading in any material respect;

(iv) the Bank (A) becomes insolvent or unable to pay its debts as they mature, (B) makes an assignment for the benefit of creditors, or (C) admits in writing its inability to pay its debts as they mature; or

(v) the Bank becomes subject to a receivership, insolvency, liquidation, or similar proceeding.

(b) Remedies of Holders. Upon the occurrence of any Event of Default, Holder shall have the right, if such Event of Default shall then be continuing, in addition to all the remedies conferred upon Holder by the terms of the Purchase Agreement or this Subordinated Note, to do any or all of the following, concurrently or successively, without notice to the Bank:

(i) solely pursuant to a default under Section 7(a)(v), declare this Subordinated Note to be, and it shall thereupon become, immediately due and payable, subject to approval by applicable regulatory authorities, without presentation, demand, protest or notice of any kind, all of which are hereby expressly waived, anything contained herein or in this Subordinated Note to the contrary; or

(ii) exercise all of its rights and remedies at law or in equity, excluding the right, if any, to declare this Subordinated Note to be immediately due and payable (such right to acceleration being governed solely by Section 7(b)(i)).

(c) Distribution Limitations Upon Event of Default. Upon the occurrence of any Event of Default and until such Event of Default is cured by the Bank, the Bank shall not (i) declare, pay, or make any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Bank’s

capital stock, (ii) make any payment of principal or interest or premium, if any on or repay, repurchase or redeem any debt securities of the Bank that rank equal with or junior to the Subordinated Notes, or (iii) make any payments under any guarantee that ranks equal with or junior to the Subordinated Notes, other than (A) any dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, any class of the Bank's common stock; (B) any declaration of a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto; (C) as a result of a reclassification of the Bank's capital stock or the exchange or conversion of one class or series of the Bank's capital stock for another class or series of the Bank' capital stock; (iv) the purchase of fractional interests in shares of the Bank's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or (v) purchases of any class of the Bank's common stock related to the issuance of common stock or rights under any of benefit plans for the Bank's directors, officers, employees or consultants or any of the Bank's dividend reinvestment plans. The limitations imposed by the provisions of this Section 7(c) shall apply whether or not notice of an Event of Default has been given.

(d) Reimbursement of Expenses. Upon the occurrence of any Event of Default, in addition to all the remedies conferred upon Holder by the terms of the Purchase Agreement or this Subordinated Note and subject to any applicable Law, the Bank shall pay Holder's reasonable fees and expenses including attorneys' fees and expenses as may be awarded by a court in connection with the enforcement of this Agreement or other related documents, provided, that the Bank shall not be obligated to pay fees and expenses of more than one firm of counsel to the Holders of the Subordinated Notes, which firm shall be selected by the Holders of more than fifty percent (50.0%) of the aggregate outstanding principal amount of the Subordinated Notes then outstanding (excluding Subordinated Notes held by the Bank or Affiliates of the Bank).

(e) Other Remedies. Nothing in this Section 7 is intended to restrict Holder's rights under this Subordinated Note, other related documents, or at law or in equity, and Holder may exercise such rights and remedies as and when they are available to the extent permitted by Section 7(b).

#### 8. Successors to the Bank.

(a) Conditions Applicable to Successors. The Bank shall not merge with or into, nor sell all or substantially all of its assets to any Person (each, a "Corporate Transaction") unless:

(i) except in a case in which the Bank is the surviving entity in a merger, such Person (the "Successor") executes, and delivers to the Holder, a copy of an instrument pursuant to which such Person assumes the due and punctual payment of the principal of and interest on this Subordinated Note and the performance and observance of all the obligations of the Bank under this Subordinated Note, and

(ii) immediately after giving effect to the transaction, no Event of Default and no event which after notice or lapse of time or both would become an Event of Default shall have occurred.

(b) Successor as Bank. Upon compliance with this Section 8, the Successor shall succeed to and be substituted for the Bank under this Subordinated Note with the same effect as if the Successor had been named as the Bank herein, and the Bank shall be released from the obligation to pay the principal of and interest accrued on the Subordinated Notes.

#### 9. Amendments and Waivers.

(a) Amendment of Subordinated Notes. Except as otherwise provided in this Section 9, and subject to any necessary regulatory approval, the Subordinated Notes may, with the consent of the Bank and the Holders of more than fifty percent (50.0%) of the aggregate outstanding principal amount of the Subordinated Notes then outstanding (excluding Subordinated Notes held by the Bank or Affiliates of the Bank), be amended or any provision, past or existing default, or non-compliance thereof waived (or modify any previously granted waiver);

provided, however, that, without the consent of each Holder of an affected Subordinated Note, no such amendment or waiver may:

- (i) reduce the principal amount of the Subordinated Note;
- (ii) reduce the rate of or change the time for payment of interest on any Subordinated Note;
- (iii) extend the maturity of any Subordinated Note;
- (iv) make any change in Sections 6 through 9 hereof;
- (v) make any change in Section 11 hereof that adversely affects the rights of any holder of a Subordinated Note; or
- (vi) disproportionately affect any of the Holders of the then outstanding Subordinated Notes.

(b) Effectiveness of Amendments. An amendment or waiver becomes effective in accordance with its terms and thereafter binds every holder of the Subordinated Notes, unless otherwise provided by Section 9(a) above. After an amendment or waiver becomes effective, the Bank shall mail to the Holder a copy of such amendment or waiver. The Bank may require the Holder to surrender this Subordinated Note so that an appropriate notation concerning the amendment or waiver may be placed thereon or a new Subordinated Note, reflecting the amendment or waiver, exchanged therefor. Even if such a notation is not made or such a new Subordinated Note is not issued, such amendment or waiver and any consent given thereto by a Holder of this Subordinated Note shall be binding according to its terms on any subsequent Holder of this Subordinated Note.

(c) Amendments Without Consent of Holders. Notwithstanding Section 9(a) hereof but subject to the provisos contained in subsections (i) through (vi) therein, the Bank may amend or supplement this Subordinated Note without the consent of the holders of the Subordinated Notes to: (i) cure any ambiguity, defect or inconsistency therein; (ii) provide for uncertificated Subordinated Notes in addition to or in place of certificated Subordinated Notes; or (iii) make any other change, in each case, that does not adversely affect the rights of any holder of any Subordinated Note.

10. Order of Payments; Pari Passu. Any payments made hereunder shall be applied first against interest due hereunder; and then against principal due hereunder. Holder acknowledges and agrees that the payment of all or any portion of the outstanding principal amount of this Subordinated Note and all interest hereon shall be pari passu in right of payment and in all other respects to the other Subordinated Notes and subordinated debt issued by the Bank in the future which by its terms are pari passu with the Subordinated Notes. In the event Holder receives payments in excess of its pro rata share of the Bank's payments to the holders of all of the Subordinated Notes, then Holder shall hold in trust all such excess payments for the benefit of the holders of the other Subordinated Notes and shall pay such amounts held in trust to such other holders upon demand by such holders.

11. Optional Redemption.

(a) Redemption Prior to Fifth Anniversary. This Subordinated Note shall not be redeemable by the Bank prior to the fifth anniversary of the effective date of this Subordinated Note, except that in the event (i) the Bank is subject to the consolidated capital requirements under applicable regulations of the Board of Governors of the Federal Reserve System ("Federal Reserve") and after such time this Subordinated Note no longer qualifies as "Tier 2" capital (as defined by the Federal Reserve) as a result of any amendment or change in interpretation or application of Law or regulation by any judicial, legislative or regulatory authority that becomes effective after the date of issuance of this Subordinated Note, (ii) of a Tax Event (as defined below), or (iii) of an Investment Company Act Event (as defined below), the Bank may redeem this Subordinated Note, in whole and not in part, at any time upon giving not less than ten (10) days' notice to the Holder of this Subordinated Note at an amount equal to one hundred percent (100.0%) of the principal amount outstanding plus accrued but unpaid interest to but excluding the

date fixed for redemption (the “Redemption Date”). “Tax Event” means the receipt by the Bank of an opinion of counsel to the Bank that as a result of any amendment to, or change (including any final and adopted (or enacted) prospective change) in, the Laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such Laws or regulations, there exists a material risk that interest payable by the Bank on the Subordinated Notes is not, or within one hundred twenty (120) days after the receipt of such opinion will not be, deductible by the Bank, in whole or in part, for United States federal income tax purposes. “Investment Company Act Event” means the receipt by the Bank of an opinion of counsel to the Bank to the effect that there is a material risk that the Bank is, or within one hundred twenty (120) days of the date of such opinion will be, considered an “investment company” that is required to register under the Investment Company Act of 1940, as amended.

(b) Redemption on or After Fifth Anniversary. On or after the fifth anniversary of the effective date of this Subordinated Note, this Subordinated Note shall be redeemable by the Bank, in whole or in part, upon giving the notice required in Section 11(c), for a redemption price equal to one hundred percent (100.0%) of the principal amount of this Subordinated Note, or portion thereof, to be redeemed, plus accrued but unpaid interest, if any, thereon to, but excluding, the Redemption Date.

(c) Notice of Redemption. Notice of redemption of this Subordinated Note shall be given by first class mail, postage prepaid, addressed to the Holder at its last address appearing on the books of the Bank. Such mailing shall be at least thirty (30) days and not more than sixty (60) days before the Redemption Date. Any notice mailed as provided in this Subordinated Note shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to the Holder shall not affect the validity of the proceedings for the redemption of any other holders of the Subordinated Notes. Each notice of redemption given to the Holder shall state: (i) the Redemption Date; (ii) the principal amount of this Subordinated Note to be redeemed; (iii) the redemption price; and (iv) the place or places where this Subordinated Note is to be surrendered for payment of the redemption price.

(d) Partial Redemption. If less than the then outstanding principal amount of this Subordinated Note is redeemed, (i) a new Subordinated Note shall be issued representing the unredeemed portion without charge to the Holder thereof and (ii) such redemption shall be effected on a pro rata basis as to the Holders of the Subordinated Notes. For purposes of clarity, upon a partial redemption, a like percentage of the principal amount of every Subordinated Note held by every Holder shall be redeemed.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the Redemption Date all funds necessary for the redemption have been deposited by the Bank, in trust for the pro rata benefit of the Holders of the Subordinated Notes called for redemption, so as to be and continue to be available solely therefor, then, notwithstanding that any Subordinated Notes so called for redemption have not been surrendered for cancellation, on and after the Redemption Date interest shall cease to accrue on all Subordinated Notes so called for redemption, all Subordinated Notes so called for redemption shall no longer be deemed outstanding and all rights with respect to such Subordinated Notes shall forthwith on such Redemption Date cease and terminate, except only the right of the Holders thereof to receive the amount payable on such redemption held in trust, without interest. Any funds unclaimed at the end of three (3) years from the Redemption Date shall, to the extent permitted by Law, be released to the Bank, after which time the Holders of the Subordinated Notes so called for redemption shall look only to the Bank for payment of the redemption price of such Subordinated Notes.

(f) Regulatory Approval. In accordance with Section 1211 of the California Financial Code, no payment shall at any time be made on account of the principal of this Subordinated Note, unless following such payment the aggregate of the Banks’ shareholders’ equity and any of the Bank’s capital notes or debentures thereafter outstanding, shall be the equal to such aggregate at the date of the original issue of such capital notes or debentures, or as may be otherwise authorized by the CDBO. If necessary, any redemption or prepayment of this Subordinated Note shall be subject to receipt of prior written approval by the FDIC (or any successor bank regulatory agency having supervisory authority over the Bank), the CDBO and any and all other required federal and state regulatory approvals.

(g) No Sinking Fund. The Subordinated Notes are not entitled to any sinking fund.

(h) Repurchases. Subject to any required federal and state regulatory approvals and the provisions of this Subordinated Note, the Bank shall have the right to purchase any of the Subordinated Notes at any time in the open market, private transactions or otherwise. If the Bank purchases any Subordinated Notes, it may, in its discretion, hold, resell or cancel any of the purchased Subordinated Notes.

12. Notices. All notices and other communications hereunder shall be in writing and, for purposes of this Subordinated Note, shall be delivered in accordance with, and effective as provided in, the Purchase Agreement.

13. Conflicts; Governing Law; Interpretation. In the case of any conflict between the provisions of this Subordinated Note and the Purchase Agreement, the provisions of this Subordinated Note shall control. This Subordinated Note shall be construed in accordance with, and be governed by, the Laws of the state of California without giving effect to any conflicts of law provisions of such Laws. This Subordinated Note is intended to meet the criteria for qualification of the outstanding principal as Tier 2 capital under the regulatory guidelines of the Federal Reserve. If at any time the Bank is subject to consolidated capital requirements under applicable regulations of the Federal Reserve and after such time all or any portion of this Subordinated Note ceases to be deemed to be Tier 2 capital, other than due to the limitation imposed on the capital treatment of subordinated debt during the five years immediately preceding the maturity date of this Subordinated Note, the Bank will promptly notify the Holder, and thereafter, subject to the Bank's right to redeem this Subordinated Note under such circumstances pursuant to the terms of this Subordinated Note, if requested by the Bank, the Bank and the Holder will work together in good faith to execute and deliver all agreements as reasonably necessary in order to restructure the applicable portions of the obligations evidenced by this Subordinated Note to qualify as Tier 2 capital.

14. Successors and Assigns. This Subordinated Note shall be binding upon the Bank and inure to the benefit of the Holder and its respective successors and permitted assigns. The Holder may assign all, or any part of, or any interest in, the Holder's rights and benefits hereunder only to the extent and in the manner permitted in the Purchase Agreement and Section 3 hereof. To the extent of any such assignment, such assignee shall have the same rights and benefits against the Bank and shall agree to be bound by and to comply with the terms and conditions of the Purchase Agreement as it would have had if it were the Holder hereunder. The Bank may not assign this Subordinated Note or its obligations hereunder except as provided in Section 8 hereto or with the prior written consent of the Holder.

15. Notes Solely Corporate Obligations. The Holder shall not have any recourse for the payment of principal or interest, on any Subordinated Note, for any claim based thereon or otherwise with respect thereto, under any obligation, covenant or agreement of the Bank in this Subordinated Note, or because of the creation of any indebtedness represented hereby, against any incorporator, shareholder, employee, agent, officer, director or subsidiary, as such, past, present or future, of the Bank or of any successor Person, either directly or through the Bank or any successor Person, whether by virtue of any constitution, statute or rule of law, or by enforcement of any assessment or penalty or otherwise. The Holder agrees that all such liability is hereby expressly waived and released as a condition of, and consideration for, the execution and issuance of this Subordinated Note.

16. Waivers. Neither any failure nor any delay on the part of the Holder in exercising any right, power or privilege under this Subordinated Note shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege.

17. Further Issues. The Issuer may, without the consent of the holders of the Subordinated Notes, create and issue additional notes having the same terms and conditions of the Subordinated Notes (except for the issue date and issue price) so that such further notes shall be consolidated and form a single series with the Subordinated Notes; *provided, however*, that no further issuances pursuant to this section shall result in such issuances being included in the definition of "Subordinated Notes" for purposes of determining the aggregate principal amount of the Subordinated Notes at the time outstanding for purposes of approving waivers or amendments of terms of this Subordinated Note. Any such issuance will be issued in compliance with the rules and regulations of the CDBO and in compliance with the Securities Act, subject to approval of the CDBO.

# Exhibit 10.1

## **SUBORDINATED NOTE PURCHASE AGREEMENT**

Dated as of June 28, 2019

by and among

**SUMMIT STATE BANK**

and

**THE PURCHASERS NAMED HEREIN**

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| SEC .....                          | 2.2(g)         |
| Secondary Market Transaction ..... | 4.4            |
| Securities Act.....                | 2.2(d)         |
| Subsidiary .....                   | 6.10(g)        |
| Tier 2 Capital .....               | 6.10(h)        |
| Transaction Documents .....        | 2.2(c)(1)      |

## LIST OF SCHEDULES AND EXHIBITS

|           |                       |
|-----------|-----------------------|
| Exhibit A | Form of Note          |
| Exhibit B | Form of Legal Opinion |
| Exhibit C | Risk Factors          |

This **SUBORDINATED NOTE PURCHASE AGREEMENT**, dated as of June 28, 2019 (this "**Agreement**"), is by and among Summit State Bank, a California banking corporation (the "**Bank**"), and the several purchasers of the Notes (each a "**Purchaser**" and, collectively, the "**Purchasers**").

## **BACKGROUND**

The Bank intends to sell to Purchasers, and Purchasers intend to purchase from the Bank, 6.0 % Fixed-to-Floating Subordinated Notes due 2029 (each, a "**Note**" and, collectively, the "**Notes**") in the aggregate principal amount of \$6,000,000 in the form set forth on Exhibit A evidencing unsecured subordinated debt of the Bank. The title of the Notes shall be adjusted to the extent that the interest rate on the Notes shall be changed pursuant to Section 4.7 herein.

**NOW, THEREFORE**, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

## **ARTICLE 1 PURCHASE; CLOSING**

### 1.1 Purchase.

On the terms and subject to the conditions set forth herein, and in consideration of each Purchaser's payment of the amount set forth on such Purchaser's signature page hereto (the "**Purchase Price**"), Purchasers will purchase from the Bank, and the Bank will sell to Purchasers, the Notes. Purchasers, severally and not jointly, each agree to purchase the Notes from Bank on the Closing Date in accordance with the terms of, and subject to the conditions and provisions set forth in, this Agreement and the Notes.

### 1.2 Closing.

(a) Subject to the satisfaction or waiver (by the party entitled to grant such waiver) of the conditions set forth in this Agreement, the closing of the purchase of the Notes by Purchasers pursuant hereto (the "**Closing**") shall occur at 10:00 a.m., Eastern time, on the date hereof at the offices of Bryan Cave Leighton Paisner LLP located at 1201 West Peachtree Street NW, 14<sup>th</sup> Floor, Atlanta, Georgia 30309, or remotely via the electronic or other exchange of documents and signature pages, or such other date or location as agreed by the parties. The date of the Closing is referred to as the "**Closing Date**."

(b) Subject to the satisfaction or waiver on the Closing Date of the applicable conditions to the Closing in Section 1.2(c), at the Closing:

(1) The Bank will deliver to each Purchaser, in a denomination equal to the Purchase Price and in accordance with any special delivery instructions on such Purchaser's signature page, a Note duly executed by the Bank; and

(2) Each Purchaser will deliver the Purchase Price to the Bank by wire transfer of immediately available funds to the account provided to Purchaser by the Bank.

### (c) Closing Conditions.

(1) The obligations of each Purchaser and the Bank to effect the Closing are subject to the fulfillment or written waiver by Purchaser or the Bank, as applicable, of each of the following conditions:

- (i) no provision of any applicable Law or regulation and no judgment, injunction, order or decree shall prohibit the Closing or shall prohibit or restrict Purchasers or their Affiliates from owning the Notes in accordance with the terms thereof and no lawsuit shall have been commenced by any court, administrative agency or commission or other governmental authority or instrumentality, whether federal, state, local or foreign, or any applicable industry self-regulatory organization (each, a “**Governmental Entity**”) seeking such prohibition or restriction; and
- (ii) the Required Approvals (as defined herein) shall have been made or been obtained and shall be in full force and effect as of the Closing Date; provided, that no such Required Approval shall impose any Burdensome Condition (as defined herein).

(2) The obligation of each Purchaser to consummate the purchase of the Note to be purchased by it at Closing is also subject to the fulfillment by the Bank or written waiver by such Purchaser prior to the Closing of each of the following additional conditions:

- (i) the representations and warranties of the Bank set forth in this Agreement shall be true and correct in all respects on and as of the date of this Agreement and on and as of the Closing Date as though made on and as of the Closing Date, except where the failure to be true and correct (without regard to any materiality or Material Adverse Effect qualifications contained therein), individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect (and except that (A) representations and warranties made as of a specified date shall only be required to be true and correct as of such date, but subject to the same materiality qualification as provided above in this Section 1.2(c)(2)(i), and (B) the representations and warranties of the Bank set forth in Section 2.2(b) (but only with respect to the last sentence thereof) and Section 2.2(c) shall be true and correct in all respects, subject to any materiality qualifications therein);
- (ii) the Bank shall have performed in all material respects all obligations required to be performed by it at or prior to the Closing, as the case may be, under this Agreement to be performed by it on or prior to the Closing Date;
- (iii) since the date hereof, no Material Adverse Effect shall have occurred; and
- (iv) at the Closing, the Bank shall deliver to Purchaser the opinion of legal counsel for the Bank, dated as of the Closing Date, in the form attached hereto as Exhibit B.

(3) The obligation of the Bank to effect the Closing is subject to the fulfillment by Purchaser or written waiver by the Bank prior to the Closing of each of the following additional conditions:

- (i) the representations and warranties of Purchaser set forth in this Agreement shall be true and correct in all respects on and as of the date

of this Agreement and on and as of the Closing Date as though made on and as of the Closing Date; except where the failure to be true and correct (without regard to any materiality or Material Adverse Effect qualifications contained therein) would not materially adversely affect the ability of Purchaser to perform its obligations hereunder; and

- (ii) Purchaser shall have performed in all material respects all obligations required to be performed by it at or prior to the Closing, as the case may be, under this Agreement to be performed by it on or prior to the Closing Date.

## ARTICLE 2 REPRESENTATIONS AND WARRANTIES

### 2.1 Disclosure.

(a) On or prior to the date hereof, the Bank delivered to each Purchaser, and each Purchaser delivered to the Bank, a letter (a “**Disclosure Letter**”) setting forth, among other things, items the disclosure of which is (i) required by an express disclosure requirement contained in a provision hereof or (ii) necessary or appropriate to take exception to one or more representations or warranties contained in Section 2.2 with respect to the Bank, or in Section 2.3 with respect to Purchaser, or to one or more covenants contained in Article 3; provided, that if such information is disclosed in such a way as to make its relevance or applicability to another provision of this Agreement reasonably apparent on its face, such information shall be deemed to be responsive to such other provision of this Agreement. Notwithstanding anything in this Agreement to the contrary, the mere inclusion of an item in a Disclosure Letter shall not be deemed an admission that such item represents a material exception or material fact, event or circumstance or that such item has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) As used in this Agreement, any reference to any fact, change, circumstance or effect being “material” with respect to the Bank means such fact, change, circumstance or effect is material in relation to the business, assets, results of operations or financial condition of the Bank and the Bank Subsidiaries taken as a whole. As used in this Agreement, the term “**Material Adverse Effect**” means any circumstance, event, change, development or effect that, individually or in the aggregate, (1) is material and adverse to the business, assets, results of operations or financial condition of the Bank and Bank Subsidiaries taken as a whole or (2) would materially impair the ability of the Bank to perform its obligations under this Agreement or to consummate the Closing; provided, that in determining whether a Material Adverse Effect has occurred, there shall be excluded any effect to the extent resulting from the following: (A) changes, after the date hereof, in U.S. generally accepted accounting principles (“**GAAP**”) or regulatory accounting principles generally applicable to banks, savings associations or their holding companies, (B) changes, after the date hereof, in applicable Laws, rules and regulations or interpretations thereof by Governmental Entities, (C) actions or omissions of the Bank or any Purchaser expressly required by the terms of this Agreement or the Note or taken with the prior written consent of the Bank or Purchaser, as the case may be, (D) changes in or any developments or occurrences relating to or affecting domestic or foreign economic, monetary or financial conditions in general or the securities, commodities or financial markets in general, including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets, (E) changes in or any developments or occurrences relating to or affecting domestic or global or national political conditions, including the outbreak, continuation or escalation of war, hostilities or acts of terrorism (whether declared or undeclared), any national or international calamity, or any natural disasters, (F) the failure of the Bank to meet any internal projections, forecasts, estimates or

guidance for any period ending after December 31, 2018 (but not excluding the underlying causes of such failure unless otherwise excluded hereunder), or (G) the public disclosure of this Agreement or the Contemplated Transactions (as defined herein); provided, further, however, that if any event described in clause (A), (B) or (D) of this Section 2.1(b) occurs and such event has a materially disproportionate effect on the Bank relative to comparable banks, savings associations and their holding companies in the United States, then such event will be deemed to have had a Material Adverse Effect.

(c) **“Previously Disclosed”** with regard to a party means information set forth on its Disclosure Letter and, with regard to the Bank, as set forth in the Bank SEC Reports.

## 2.2 Representations and Warranties of the Bank.

Except as Previously Disclosed, the Bank hereby represents and warrants to each Purchaser, as of the date of this Agreement and as of the Closing Date (except for the representations and warranties that are as of a specific date, which shall be made as of that date), that:

(a) Organization and Authority. Each of the Bank and the Bank Subsidiaries is a corporation, bank or other entity duly organized and validly existing under the Laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in all jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified except where any failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and has the corporate or other organizational power and authority to own its properties and assets and to carry on its business as it is now being conducted. The deposit accounts of the Bank are insured by the Federal Deposit Insurance Corporation (“**FDIC**”) to the fullest extent permitted by the Federal Deposit Insurance Act, as amended, and the rules and regulations of the FDIC thereunder, and all premiums and assessments required to be paid in connection therewith have been paid when due (after giving effect to any applicable extensions).

(b) Bank Subsidiaries. The Bank has Previously Disclosed a true, complete and correct list of all of its Subsidiaries as of the date of this Agreement (each, a “**Bank Subsidiary**” and, collectively, the “**Bank Subsidiaries**”). The Bank owns, directly or indirectly, all of its interests in each Bank Subsidiary free and clear of any and all Liens.

(c) Authorization; No Conflicts; No Default.

(1) The Bank has the corporate power and authority to execute and deliver this Agreement and the Notes (collectively, the “**Transaction Documents**”) and to perform its obligations hereunder and thereunder. The execution, delivery and performance of the Transaction Documents by the Bank and the consummation of the transactions contemplated hereby and thereby (the “**Contemplated Transactions**”) have been duly authorized by all necessary corporate action on the part of the Bank. The Board of Directors has duly approved the Transaction Documents and the Contemplated Transactions. No other corporate proceedings are necessary for the execution and delivery by the Bank of the Transaction Documents, the performance by it of its obligations hereunder or thereunder or the consummation by it of the Contemplated Transactions. The Transaction Documents have been, and when delivered at the Closing will be, duly and validly executed and delivered by the Bank and, assuming due authorization, execution and delivery by Purchaser and the other parties thereto, are, or in the case of documents executed after the date of this Agreement, will be, upon execution, the valid and binding obligations of the Bank enforceable against the Bank in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating

to or affecting creditors' rights or by general equity principles (whether applied in equity or at law).

(2) Neither the execution and delivery by the Bank of the Transaction Documents nor the consummation of the Contemplated Transactions, nor compliance by the Bank with any of the provisions hereof or thereof, will (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or result in the loss of any benefit or creation of any right on the part of any third party under, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of any liens, charges, adverse rights or claims, pledges, covenants, title defects, security interests and other encumbrances of any kind ("Liens") upon any of the properties or assets of the Bank or any Bank Subsidiary, under any of the terms, conditions or provisions of (i) the articles of incorporation or bylaws (or similar governing documents) of the Bank and each Bank Subsidiary or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Bank or any of the Bank Subsidiaries is a party or by which it may be bound, or to which the Bank or any of the Bank Subsidiaries, or any of the properties or assets of the Bank or any of the Bank Subsidiaries may be subject, or (B) violate any Law applicable to the Bank or any of the Bank Subsidiaries or any of their respective properties or assets except in the case of clauses (A)(ii) and (B) of this paragraph for such violations, conflicts and breaches as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(3) None of the Bank or any Bank Subsidiary is in default in the performance, observance or fulfillment of any of the terms, obligations, covenants, conditions or provisions contained in any indenture or other agreement creating, evidencing or securing Indebtedness of any kind or pursuant to which any such Indebtedness is issued, or other agreement or instrument to which the Bank or any Bank Subsidiary is a party or by which the Bank or any Bank Subsidiary or their respective properties may be bound or affected, except, in each case, only such defaults that would not reasonably be expected to have, singularly or in the aggregate, a Material Adverse Effect on the Bank. For purposes of this Agreement, "Indebtedness" shall mean and include: (A) all items arising from the borrowing of money that, according to GAAP as in effect from time to time, would be included in determining total liabilities as shown on the consolidated balance sheet of the Bank; and (B) all obligations secured by any lien in property owned by the Bank whether or not such obligations shall have been assumed; provided, however, Indebtedness shall not include deposits or other indebtedness created, incurred or maintained in the ordinary course of the Bank's business (including, without limitation, federal funds purchased, advances from any Federal Home Loan Bank, Federal Reserve Bank, secured deposits of municipalities and repurchase arrangements) and consistent with customary banking practices and applicable Laws and regulations.

(d) Governmental and Other Consents. The Bank has obtained any governmental and other consents, approvals, authorizations, non-objections, applications, registrations and qualifications that are required to be obtained in connection with or for the consummation of the issuance of the Notes and the consummation of the other Contemplated Transactions and the performance of the Bank's obligations hereunder and thereunder (the "Required Approvals"). No Required Approvals are required to be obtained by the Bank that have not been obtained, and no registrations or declarations are required to be filed by the Bank that have not been filed in connection with, or, in contemplation of, the execution and delivery of, and performance under, the Transaction Documents, except for applicable requirements, if any, of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act") or state securities Laws or "blue sky" Laws of the various states

and any applicable federal or state banking Laws and regulations. There shall not be any action taken, or any Law, rule or regulation enacted, entered, enforced or deemed applicable to the Bank or the Bank Subsidiaries, Purchaser or the Contemplated Transactions, by the Board of Governors of the Federal Reserve System (“**Federal Reserve**”), the FDIC, the California Department of Business Oversight (the “**CDBO**”) or any other Governmental Entity, which imposes any restriction or condition which Bank or any Purchaser determines, in its reasonable good faith judgment, is materially and unreasonably burdensome on the Bank’s or Purchaser’s business or would materially reduce the economic benefits of the Contemplated Transactions to the Bank or such Purchaser to such a degree that Bank or such Purchaser would not have entered into this Agreement had such condition or restriction been known to it on the date hereof (any such condition or restriction, a (“**Burdensome Condition**”)), and, for the avoidance of doubt, (A) any requirements to disclose the identities of limited partners, shareholders or members of such Purchaser or its Affiliates or its investment advisors, other than the identities of Affiliates of Purchaser, shall be deemed a Burdensome Condition unless otherwise determined by Purchaser in its sole discretion and (B) any restrictions or conditions imposed on Purchaser in any passivity commitments shall not be deemed a Burdensome Condition. No Required Approval imposes any Burdensome Condition.

(e) Litigation and Other Proceedings. Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, there is no pending or, to the Knowledge of the Bank, threatened claim, action, suit, arbitration, complaint, charge or investigation or proceeding (each an “**Action**”) against the Bank or any Bank Subsidiary or any of its assets, rights or properties, nor is the Bank or any Bank Subsidiary a party or named as subject to the provisions of any order, writ, injunction, settlement, judgment or decree of any court, arbitrator or government agency, or instrumentality. The Bank is in material compliance with all existing decisions, orders, and agreements of or with Governmental Entities to which it is subject or bound.

(f) Financial Statements. The financial statements of the Bank included in the Bank SEC Reports (including the related notes, where applicable) (i) have been prepared from, and are in accordance with, the books and records of the Bank and the Bank Subsidiaries; (ii) fairly present in all material respects the results of operations, cash flows, changes in shareholders’ equity and financial position of the Bank and its consolidated Subsidiaries, for the respective fiscal periods or as of the respective dates therein set forth (subject in the case of unaudited statements to recurring year-end audit adjustments normal in nature and amount), as applicable; (iii) complied as to form, as of their respective dates of filing in all material respects with applicable accounting and banking requirements as applicable, with respect thereto; and (iv) have been prepared in accordance with GAAP consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto and Regulation S-X promulgated under the Securities Act. The Bank does not have any material liability of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether due or to become due), except for those liabilities that are reflected or reserved against on the consolidated balance sheet of the Bank contained in the Bank SEC Reports for the Bank’s most recently completed quarterly or annual fiscal period, as applicable, and for liabilities incurred in the ordinary course of business consistent with past practice or in connection with this Agreement and the Contemplated Transactions. The Bank’s allowance for loan losses is in compliance in all material respects with (A) the Bank’s methodology for determining the adequacy of its allowance for loan losses and (B) the standards established by applicable Governmental Entities and the Financial Accounting Standards Board.

(g) Reports. The Bank is subject to, and is in compliance in all material respects with, the reporting requirements of Section 13 and Section 15(d), as applicable, of the Exchange Act, and the rules and the regulations of the Securities Exchange Commission (the “**SEC**”) and the FDIC thereunder. Since December 31, 2018, the Bank has filed all material reports, registrations, documents, filings, statements and submissions, together with any required amendments thereto, that it was required to file with the

FDIC (the foregoing, collectively, the “**Bank SEC Reports**”). The Bank SEC Reports at the time they were filed with the FDIC, complied in all material respects with the requirements of the Exchange Act and did not and do not include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(h) Internal Accounting and Disclosure Controls.

(1) The Bank and its Subsidiaries maintain systems of “internal control over financial reporting” (as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act) that comply with the requirements of the Exchange Act and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including, but not limited to, a system of accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Since the end of the Bank’s most recent audited fiscal year, (y) the Bank has no knowledge of (i) any material weakness in Bank’s internal control over financial reporting (whether or not remediated) or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank’s internal controls and (z) there has been no change in the Bank’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Bank’s internal control over financial reporting.

(2) The Bank and its Subsidiaries maintain an effective system of disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act), that (i) are designed to ensure that material information required to be disclosed by the Bank in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that material information relating to the Bank and its Subsidiaries is made known to the Bank’s principal executive officer and principal financial officer by others within the Bank and its Subsidiaries to allow timely decisions regarding disclosure, and (ii) are effective in all material respects to perform the functions for which they were established. As of the date hereof, the Bank has no knowledge that would reasonably cause it to believe that the evaluation to be conducted of the effectiveness of the Bank’s disclosure controls and procedures for the most recently ended fiscal quarter period will result in a finding that such disclosure controls and procedures are ineffective for such quarter ended.

(i) Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Bank or any of the Bank Subsidiaries and an unconsolidated or other affiliated entity that is not reflected on the Bank SEC Reports.

(j) Risk Management Instruments. All material derivative instruments, including swaps, caps, floors and option agreements entered into for the Bank’s or any of the Bank Subsidiaries’ own account were entered into (1) only in the ordinary course of business, (2) in accordance with prudent practices and in all material respects with all applicable Laws and (3) with counterparties believed to be financially responsible at the time; and each of them constitutes the valid and legally binding obligation of

the Bank or any Bank Subsidiary, as applicable, enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors' rights or by general equity principles (whether applied in equity or at law). Neither the Bank nor, to the Knowledge of the Bank, any other parties thereto is in breach of any of its material obligations under any such agreement or arrangement.

(k) No Undisclosed Liabilities. There are no liabilities of the Bank or any of the Bank Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, except for (1) liabilities adequately reflected or reserved against in accordance with GAAP in the Bank SEC Reports and (2) liabilities that have arisen in the ordinary and usual course of business and consistent with past practice since December 31, 2018, and that have not or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(l) Absence of Certain Changes. Since January 1, 2019, except as disclosed in the Bank SEC Reports, (1) the Bank and the Bank Subsidiaries have conducted their respective businesses in all material respects in the ordinary and usual course of business consistent with past practices, (2) none of the Bank or any Bank Subsidiary has incurred any material liability or obligation, direct or contingent, for borrowed money, except borrowings in the ordinary course of business, (3) the Bank has not made or declared any distribution in cash or in kind to its shareholders or issued or repurchased any shares of its capital stock except for quarterly dividends to holders of Bank common stock or in connection with the exercise of vesting of equity award granted to directors, employee and consultants, in each case in accordance with applicable equity plan of the bank and the related award agreement, (4) through (and including) the date of this Agreement, no fact, event, change, condition, development, circumstance or effect has occurred that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and (5) no material default (or event which, with notice or lapse of time, or both, would constitute a material default) exists on the part of the Bank or any Bank Subsidiary or, to the Knowledge of the Bank, on the part of any other party, in the due performance and observance of any term, covenant or condition of any agreement to which the Bank or any Bank Subsidiary is a party and which would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(m) Compliance with Laws. The Bank and each Bank Subsidiary have all permits, licenses, franchises, authorizations, orders and approvals of, and have made all filings, applications and registrations with, Governmental Entities that are required in order to permit them to own or lease their properties and assets and to carry on their business as presently conducted and that are material to the business of the Bank and each Bank Subsidiary, except where the failure to have such permits, licenses, franchises, authorizations, orders and approvals, or to have made such filings, applications and registrations, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. The Bank and each Bank Subsidiary have complied in all material respects and (1) are not in default or violation in any respect of, (2) to the Bank's Knowledge, are not under investigation with respect to, and (3) to the Bank's Knowledge, have not been threatened to be charged with or given notice of any material violation of, any applicable material domestic (federal, state or local) or foreign Law, statute, ordinance, license, rule, regulation, policy or guideline, order, demand, writ, injunction, decree or judgment of any Governmental Entity (each, a "**Law**"), other than such noncompliance, defaults or violations that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Except for statutory or regulatory restrictions of general application, no Governmental Entity has placed any material restriction on the business or properties of the Bank or any of the Bank Subsidiaries. As of the date hereof, the Bank has a Community Reinvestment Act rating of "satisfactory" or better.

(n) Agreements with Regulatory Agencies. Neither the Bank nor any Bank Subsidiary (1) is subject to any cease-and-desist or other similar order or enforcement action issued by, (2) is a party to any written agreement, consent agreement or memorandum of understanding with, (3) is a party to any commitment letter or similar undertaking to, or (4) is subject to any capital directive by, and since December 31, 2018, neither of the Bank nor any Bank Subsidiary has adopted any board resolutions at the request of, any Governmental Entity that currently restricts in any material respect the conduct of its business or that in any material manner relates to its capital adequacy, its liquidity and funding policies and practices, its ability to pay dividends, its credit, risk management or compliance policies, its internal controls, or its management (each item in this sentence, a “Regulatory Agreement”), nor has the Bank nor any of the Bank Subsidiaries been advised since December 31, 2018, by any Governmental Entity that it is considering issuing, initiating, ordering, or requesting any such Regulatory Agreement.

(o) Brokers and Finders. The Bank has engaged Raymond James & Associates, Inc. (the “Placement Agent”), a registered broker-dealer subject to the rules and regulations of the Financial Industry Regulatory Authority (“FINRA”), in connection with the offer and sale of the Notes as contemplated by the Transaction Documents. Except for such engagement, neither the Bank nor any of its officers, directors, employees or agents has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder’s fees, and no broker or finder has acted directly or indirectly for the Bank in connection with the Transaction Documents or the Contemplated Transactions.

(p) Tax Matters. The Bank and each of the Bank Subsidiaries has (1) filed all material foreign, U.S. federal, state and local tax returns, information returns and similar reports that are required to be filed, and all such tax returns are true, correct and complete in all material respects, and (2) paid all material taxes required to be paid by it and any other material assessment, fine or penalty levied against it other than taxes (A) currently payable without penalty or interest, or (B) being contested in good faith by appropriate proceedings.

(q) Offering of Securities. Neither the Bank nor any Person acting on its behalf has taken any action which would subject the offering, issuance or sale of the Notes to the registration requirements of the Securities Act. Assuming the accuracy of each Purchaser’s representations and warranties set forth in this Agreement, no registration under the Securities Act is required for the offer and sale of the Notes by the Bank to Purchasers.

(r) Investment Company Status. The Bank is not, and upon consummation of the Contemplated Transactions will not be, an “investment company,” a company controlled by an “investment company” or an “affiliated Person” of, or “promoter” or “principal underwriter” of, an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

(s) Accuracy of Representations. The Bank understands that the Purchasers will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements in connection with the Contemplated Transactions, and the Bank agrees that if any of the representations or acknowledgements made by it are no longer accurate as of the Closing Date, or if any of the agreements made by it are breached on or prior to the Closing Date, it shall promptly notify the Purchasers. No representation or warranty by the Bank in this Agreement and no statement included in the Disclosure Letter or in any certificate or other document furnished or to be furnished to the Purchaser pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances then existing, not misleading.

### 2.3 Representations and Warranties of Purchaser.

Except as Previously Disclosed, each Purchaser, severally and not jointly, hereby represents and warrants to the Bank, as of the date of this Agreement and as of the Closing Date (except to the extent made only as of a specified date, in which case as of such date), that:

(a) Organization and Authority. Purchaser is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in all jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified and where any failure to be so qualified would reasonably be expected to materially and adversely affect Purchaser's ability to perform its obligations under this Agreement or consummate the Contemplated Transactions on a timely basis, and Purchaser has the corporate or other power and authority and governmental authorizations to own its properties and assets and to carry on its business as it is now being conducted.

(b) Authorization.

(1) Purchaser has the corporate or other power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by Purchaser and the consummation of the Contemplated Transactions have been duly authorized by Purchaser's board of directors, general partner or managing members, as the case may be (if such authorization is required), and no further approval or authorization by Purchaser or any of its partners or other equity owners, as the case may be, is required. No other corporate proceedings are necessary for the execution and delivery by the Purchaser of the Transaction Documents, the performance by it of its obligations hereunder or thereunder or the consummation by it of the Contemplated Transactions. This Agreement has been duly and validly executed and delivered by Purchaser and assuming due authorization, execution and delivery by the Bank, is a valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors' rights or by general equity principles).

(2) Neither the execution, delivery and performance by Purchaser of this Agreement, nor the consummation of the Contemplated Transactions, nor compliance by Purchaser with any of the provisions hereof, will (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of any Lien upon any of the properties or assets of Purchaser under any of the terms, conditions or provisions of (i) its certificate of limited partnership, certificate of formation, operating agreement or partnership agreement or similar governing documents or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Purchaser is a party or by which it may be bound, or to which Purchaser or any of the properties or assets of Purchaser may be subject, or (B) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any Law, statute, ordinance, rule or regulation, permit, concession, grant, franchise or any judgment, ruling, order, writ, injunction or decree applicable to Purchaser or any of its properties or assets except in the case of clauses (A)(ii) and (B) for such violations, conflicts and breaches as would not reasonably be expected to materially and adversely affect Purchaser's ability to perform its respective obligations under this Agreement or consummate the Contemplated Transactions on a timely basis.

(3) No notice to, registration, declaration or filing with, exemption or review by, or authorization, order, consent or approval of, any Governmental Entity, nor expiration or termination of any statutory waiting period, is necessary for the consummation by Purchaser of the Contemplated Transactions.

(c) Purchase for Investment. Purchaser acknowledges that the Note being purchased by Purchaser has not been registered under the Securities Act or under any state securities Laws. Purchaser (1) is acquiring the Note pursuant to an exemption from registration under the Securities Act solely for investment with no present intention to distribute any of the Note to any Person, (2) will not sell or otherwise dispose of the Note, except in compliance with the registration requirements or exemption provisions of the Securities Act and any other applicable securities Laws, and (3) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of its investment in the Note and of making an informed investment decision.

(d) Institutional Accredited Investor. Purchaser is and will be on the Closing Date an institutional “accredited investor” as such term is defined in Rule 501(a) of Regulation D and as contemplated by subsections (1), (2), (3) and (7) of Rule 501(a) of Regulation D, and has no less than \$5,000,000 in total assets.

(e) Financial Capability. At the Closing, Purchaser shall have available funds necessary to consummate the Closing on the terms and conditions contemplated by the Transaction Documents.

(f) Knowledge as to Conditions. Purchaser does not know of any approval, authorization, filing, registration, or notice that is required or otherwise is a condition to the consummation by it of the Contemplated Transactions that has not been obtained by or provided to it.

(g) Brokers and Finders. Neither Purchaser nor its Affiliates, any of their respective officers, directors, employees or agents has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder’s fees, and no broker or finder has acted directly or indirectly for Purchaser, in connection with this Agreement or the Contemplated Transactions, in each case, whose fees the Bank would be required to pay (other than the reimbursement of transaction expenses as provided in Section 6.2).

(h) Investment Decision. Purchaser, or the duly appointed investment manager of Purchaser (the “Investment Manager”), if applicable, (1) has reached its decision to invest in the Bank independently from any other Person, (2) has not entered into any agreement or understanding with any other Person to act in concert for the purpose of exercising a controlling influence over the Bank or any Bank Subsidiary, including any agreements or understandings regarding the voting or transfer of shares of the Bank, (3) has not shared with any other Person proprietary due diligence materials prepared by Purchaser or its Investment Manager or any of its other advisors or representatives (acting in their capacity as such) and used by its investment committee as the basis for purposes of making its investment decision with respect to the Bank or any Bank Subsidiary, (4) has not been induced by any other Person to enter into the Contemplated Transactions, and (5) has not entered into any agreement with any other Person with respect to the Contemplated Transactions. Purchaser understands that nothing in this Agreement or any other materials presented by or on behalf of the Bank to Purchaser in connection with the purchase of the Note constitutes legal, tax or investment advice. Purchaser has consulted such accounting, legal, tax and investment advisors as it has deemed necessary or appropriate in connection with its purchase of the Note.

(i) Ability to Bear Economic Risk of Investment. Purchaser recognizes that an investment in the Note involves substantial risk and Purchaser has the ability to bear the economic risk of the

prospective investment in the Note, including the ability to hold the Note indefinitely, and further including the ability to bear a complete loss of all of its investment in the Bank.

(j) Information; General Solicitation. Purchaser acknowledges that Purchaser: (1) is not being provided with the disclosures that would be required if the offer and sale of the Note were registered under the Securities Act, nor is it being provided with any offering circular or prospectus prepared in connection with the offer and sale of the Note; (2) has conducted its own examination of the Bank and the terms of the Note to the extent Purchaser deems necessary to make its decision to invest in the Note, and (3) has availed itself of public access to financial and other information concerning the Bank and the Bank Subsidiaries to the extent it deems necessary to make an informed decision to purchase the Note. Purchaser has reviewed the information set forth in the exhibits hereto. Purchaser acknowledges that it and its advisors have been furnished with all materials relating to the business, finances and operations of the Bank and the Bank Subsidiaries that have been requested of it or its advisors and have been given the opportunity to ask questions of, and to receive answers from, Persons acting on behalf of the Bank concerning terms and conditions of the Contemplated Transactions in order to make an informed and voluntary decision to enter into this Agreement. Purchaser became aware of the offering of the Note, and the Note was offered to the Purchaser, solely by direct contact between the Purchaser and the Bank or the Placement Agent and not by any other means, including any form of “general solicitation” or “general advertising” (as such terms are used in Regulation D under the Securities Act.). Purchaser is not purchasing the Note as a result of any advertisement, article, notice or other communication regarding the Note published in any newspaper, magazine or similar media; broadcast over television or radio; contained on any unrestricted website; or presented at any seminar or any other general advertisement. Purchaser has reviewed the information set forth in Exhibit C hereto regarding “Risk Factors” pertaining to the Bank.

(k) Placement Agent. Purchaser will purchase the Note directly from the Bank and not from the Placement Agent, is not relying on the Placement Agent in any manner with respect to its decision to purchase the Note, and understands that neither the Placement Agent nor any other broker or dealer has any obligation to make a market in the Note.

(l) Conduct of Subsequent Transfers. Purchaser acknowledges that the Bank is not conducting any offering other than the sale to Purchaser set forth in this Agreement, and Purchaser agrees that any subsequent re-sale of the Note, including into a securitization, shall be done in a manner that does not create liability for the Bank.

(m) No Purchase or Direct or Indirect Funding. Neither the Bank nor any Person that the Bank controls is purchasing the Notes and neither is directly or indirectly funding the purchase of the Notes.

(n) Accuracy of Representations. Purchaser understands that each of the Placement Agent and the Bank will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements in connection with the Contemplated Transactions, and Purchaser agrees that if any of the representations, acknowledgements or agreements made by it are no longer accurate as of the Closing Date, or if any of the agreements made by it are breached on or prior to the Closing Date, it shall promptly notify the Placement Agent and the Bank.

### ARTICLE 3 COVENANTS

#### 3.1 Filings; Other Actions.

(a) Purchaser and the Bank will cooperate and consult with the other and use reasonable best efforts to prepare and file all necessary documentation, to effect all necessary applications, notices, petitions, filings and other documents, and to obtain all necessary permits, consents, orders, approvals and authorizations of, or any exemption by, all third parties and Governmental Entities, and the expiration or termination of any applicable waiting period, necessary or advisable to consummate the Contemplated Transactions, to perform the covenants contemplated by the Transaction Documents, to satisfy all of the conditions precedent to the obligations of such party thereto and defend any claim, action, suit, investigation or proceeding, whether judicial or administrative, challenging this Agreement or the performance of the obligations hereunder; provided, however, that nothing in this Agreement shall obligate Purchaser to disclose the identities of limited partners, shareholders or members of Purchaser or its Affiliates or investment advisors or other confidential proprietary information of Purchaser or any of its Affiliates (collectively, “**Proprietary Information**”). All parties shall execute and deliver both before and after the Closing such further certificates, agreements and other documents and take such other actions as the other parties may reasonably request to consummate or implement such transactions or to evidence such events or matters. Purchaser and the Bank will have the right to review in advance, and to the extent practicable each will consult with the other, in each case subject to applicable Laws relating to the exchange of information, all the information (other than Proprietary Information) relating to such other parties, and any of their respective Affiliates, which appears in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the transactions to which it will be party contemplated by the Transaction Documents. In exercising the foregoing right, each of the parties hereto agrees to act reasonably and as promptly as practicable. All parties hereto agree to keep the other parties apprised of the status of matters referred to in this Section 3.1(a). Purchaser shall promptly furnish the Bank, and the Bank shall promptly furnish Purchaser, to the extent permitted by applicable Law, with copies of written communications received by it or its Subsidiaries from, or delivered by any of the foregoing to, any Governmental Entity in respect of the Contemplated Transactions. Notwithstanding the foregoing, in no event shall Purchaser or any of its Affiliates be required to become a bank holding company, accept any Burdensome Condition in connection with the Contemplated Transactions, or be required to agree to provide capital to the Bank or any Bank Subsidiary thereof other than the Purchase Price to be paid for the Note to be purchased by it pursuant to the terms of, subject to the conditions set forth in, this Agreement.

(b) Purchaser agrees to furnish the Bank, and the Bank agrees, upon request, to furnish to Purchaser, in each case to the extent legally permissible and not in contravention of any contractual obligation, all information concerning itself, its Affiliates, directors, officers, partners and shareholders and such other matters as may be reasonably necessary in connection with any statement, filing, notice or application made by or on behalf of such other parties or any of its Subsidiaries to any Governmental Entity in connection with the Closing and the other Contemplated Transactions; provided, that Purchaser shall be required to provide information only to the extent typically provided by Purchaser to such Governmental Entities under Purchaser’s policies consistently applied and subject to such confidentiality requests as Purchaser shall reasonably seek.

#### 3.2 Access, Information and Confidentiality.

(a) From the date hereof until the Closing Date, the Bank will furnish to Purchaser and its Affiliates (and their financial and professional advisors and representatives), and permit Purchaser, its Affiliates and their representatives access during the Bank’s normal business hours, to such information

and materials relating to the financial, business and legal condition of the Bank as may be reasonably necessary or advisable to allow Purchaser to become and remain familiar with the Bank and to confirm the accuracy of the representations and warranties of the Bank in this Agreement and the compliance with the covenants and agreements by the Bank in this Agreement.

(b) All parties hereto will hold, and will cause its respective Affiliates and its and their respective directors, officers, employees, agents, consultants and advisors to hold, in strict confidence, unless disclosure to a Governmental Entity is necessary in connection with any necessary regulatory approval, examination or inspection or unless disclosure is required by judicial or administrative process or, by other requirement of Law or the applicable requirements of any Governmental Entity or relevant stock exchange (in which case, the party disclosing such information shall provide the other parties with prior written notice of such permitted disclosure), all non-public records, books, contracts, instruments, computer data and other data and information (collectively, “**Information**”) concerning the other parties hereto furnished to it by or on behalf of such other parties or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (1) previously known by such party on a non-confidential basis, (2) publicly available through no fault of such party or (3) later lawfully acquired by such party from other sources not known by such party to be subject to confidentiality obligations with respect to such information), and no party hereto shall release or disclose such Information to any other Person, except its auditors, attorneys, financial advisors, other consultants and advisors, provided, that Purchaser shall be permitted to disclose Information to any of its limited partners who are subject to obligations to keep such Information confidential in accordance with this Section 3.2. For the avoidance of doubt, (x) basic information regarding the terms of the Note, including the identity of the Bank, the principal amount, interest rate and duration of the Note, does not constitute Information for purposes of this Agreement, and (y) without the further consent of the Bank, the Purchaser may furnish Information regarding the Bank to Persons who are subject to obligations to keep such Information confidential in accordance with this Section 3.2 in connection with a Secondary Market Transaction pursuant to Section 4.4.

### 3.3 Conduct of the Business.

Prior to the earlier of the Closing Date and the termination of this Agreement pursuant to Section 5.1 (the “**Pre-Closing Period**”), the Bank shall, and shall cause each Bank Subsidiary to, use reasonable best efforts to carry on its business in the ordinary course of business and use reasonable best efforts to maintain and preserve its and such Bank Subsidiary’s business (including its organization, assets, properties, goodwill and insurance coverage) and preserve its business relationships with customers, strategic partners, suppliers, distributors and others having business dealings with it; provided, however, that nothing in this sentence shall limit or require any actions that the Board of Directors may, in good faith, determine to be inconsistent with their duties or the Bank’s obligations under applicable Law.

## ARTICLE 4 ADDITIONAL AGREEMENTS

### 4.1 No Control.

Each Purchaser agrees that it shall not, without the prior consent of the Bank, contribute capital to the Bank or acquire an amount of voting securities of the Bank that in either case would cause such Purchaser, to be deemed to control the Bank for purposes of the Bank Holding Company Act of 1956, as amended, or the Change in Bank Control Act of 1978, as amended, or applicable state Law.

4.2 Reserved.

4.3 Reserved.

4.4 Secondary Market Transactions

Each Purchaser shall have the right at any time and from time to time to securitize the Notes or any portion thereof in a single asset securitization or a pooled loan securitization of rated single or multi-class securities secured by or evidencing ownership interests in the Notes (each such securitization is referred to herein as a “**Secondary Market Transaction**”). In connection with any such Secondary Market Transaction, the Bank shall, at the Bank’s expense, use all reasonable efforts and cooperate fully and in good faith with such Purchaser and otherwise assist Purchaser in satisfying the market standards to which Purchaser customarily adheres or which may be reasonably required in the marketplace or by applicable rating agencies in connection with any such Secondary Market Transactions, but in no event shall the Bank be required to incur (without reimbursement) more than an aggregate of \$10,000 in costs or expenses in connection with any and all Secondary Market Transactions. Information may be furnished to any Purchaser and to any Person reasonably deemed necessary by Purchaser in connection with such Secondary Market Transaction so long as such Persons are subject to obligations to keep such Information confidential in accordance with Section 3.2. All documents, financial statements, appraisals and other data relevant to the Bank or the Notes may be exhibited to and retained by any such Person so long as such Person is subject to obligations to keep such Information confidential in accordance with Section 3.2(b).

4.5 Transfer Taxes.

On the Closing Date, all transfer or other similar taxes which are required to be paid in connection with the sale and transfer of the Notes to be sold to the Purchasers hereunder will be, or will have been, fully paid or provided for by the Bank, and all Laws imposing such taxes will be or will have been complied with in all material respects.

4.6 Tier 2 Capital.

If at any time all or any portion of the Note ceases to be deemed to be Tier 2 Capital, other than due to the limitation imposed on the capital treatment of subordinated debt during the five years immediately preceding the maturity date of the Note, the Bank will promptly notify the Purchasers, and thereafter, subject to the Bank’s right to redeem the Notes under such circumstances pursuant to the terms of the Notes, if requested by the Bank, the Bank and the Purchasers will work together in good faith to execute and deliver all agreements as reasonably necessary in order to restructure the applicable portions of the obligations evidenced by the Notes to qualify as Tier 2 Capital.

4.7 Interest Rate Adjustment.

In the event that the Index Rate, defined below, exceeds 2.8%, as measured as of the close of business on the business day immediately preceding the Closing Date, (a) the interest rate on the Notes shall be increased by the extent to which the Index Rate exceeds 2.8%, and (b) all references to “2.8%” herein and on the Notes shall be changed to reflect such adjusted interest rate. The “**Index Rate**” shall mean the 10-Year Treasury Constant Maturity Index, as quoted by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519). If the 10-Year Treasury Constant Maturity Index becomes unavailable prior to the Closing Date, the Bank will designate a comparable substitute index as the Index Rate with notice to the Purchasers. For the avoidance of doubt, no downward adjustment to the stated interest rate shall occur, regardless of the Index Rate as of the Closing Date.

4.8 CUSIP Number.

Prior to the Closing Date, the Bank shall cause a CUSIP number to be obtained for the Notes and printed on the Notes pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures.

4.9 Use of Proceeds.

The Bank intends to use the net proceeds from the issuance of the Notes hereunder for general corporate purposes.

**ARTICLE 5  
TERMINATION**

5.1 Termination.

This Agreement may be terminated prior to the Closing:

- (a) by mutual written agreement of the Bank and Purchaser;
- (b) by the Bank or Purchaser, upon written notice to the other parties, in the event that the Closing does not occur within five (5) business days of the date of this Agreement; provided, that the right to terminate this Agreement pursuant to this Section 5.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;
- (c) by the Bank or Purchaser, upon written notice to the other parties, in the event that any Governmental Entity shall have issued any order, decree or injunction or taken any other action restraining, enjoining or prohibiting any of the Contemplated Transactions, and such order, decree, injunction or other action shall have become final and nonappealable;
- (d) by Purchaser, upon written notice to the Bank, if there has been a breach of any representation, warranty, covenant or agreement made by the Bank in this Agreement, or any such representation or warranty shall have become untrue after the date of this Agreement, in each case such that a closing condition in Section 1.2(c)(2)(i) or Section 1.2(c)(2)(ii) would not be satisfied and such breach or condition is not curable or, if curable, is not cured by the date set forth in Section 5.1(b);
- (e) by the Bank, upon written notice to Purchaser, if there has been a breach of any representation, warranty, covenant or agreement made by any Purchaser in this Agreement, or any such representation or warranty shall have become untrue after the date of this Agreement, in each case such that a closing condition in Section 1.2(c)(3)(i) or Section 1.2(c)(3)(ii) would not be satisfied and such breach or condition is not curable or, if curable, is not cured by the date set forth in Section 5.1(b); or
- (f) by either Bank or Purchaser, upon written notice to the other party, if any Required Approval is approved with commitments, conditions, restrictions or understandings, whether contained in an approval letter or otherwise, which, individually or in the aggregate, would reasonably be expected to create a Burdensome Condition on the Bank or the Purchaser.

5.2 Effects of Termination.

In the event of any termination of this Agreement as provided in Section 5.1, this Agreement (other than Section 3.2(b), this Article 5 and Article 6, which shall remain in full force and effect) shall forthwith become wholly void and of no further force and effect.

**ARTICLE 6  
MISCELLANEOUS**

6.1 Survival.

Each of the representations and warranties set forth in this Agreement shall survive the Closing under this Agreement for a period of one year. Except as otherwise provided herein, all covenants and agreements contained herein shall survive until, by their respective terms, they are no longer operative, other than those which by their terms are to be performed in whole or in part prior to or on the Closing Date, which shall terminate as of the Closing Date.

6.2 Expenses.

Except as otherwise provided in this Section 6.2, each of the parties will bear and pay all other costs and expenses incurred by it or on its behalf in connection with the Contemplated Transactions; except that at the Closing the Bank shall bear, and upon request by EJF Capital LLC, reimburse EJF Capital LLC for, all reasonable out-of-pocket fees and expenses of attorneys incurred by EJF Capital LLC and its Affiliates in connection with the negotiation and preparation of this Agreement and undertaking of the Contemplated Transactions; provided that in no event shall the Bank be obligated to bear or reimburse such fees and expenses in an amount that exceeds \$7,500.

6.3 Amendment; Waiver.

No amendment or waiver of any provision of this Agreement will be effective with respect to any party unless made in writing and signed by an officer of a duly authorized representative of such party. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The conditions to each party's obligation to consummate the Closing are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable Law. No waiver of any party to this Agreement will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law.

6.4 Successors and Assigns.

(a) At or prior to the Closing, this Agreement will not be assignable by operation of Law or otherwise (any attempted assignment in contravention hereof being null and void); provided that each Purchaser may assign its rights and obligations under this Agreement to any Affiliate, but only if the transferee agrees in writing for the benefit of the Bank (with a copy thereof to be furnished to the Bank) to be bound by the terms of this Agreement (any such transferee shall be included in the term "Purchaser"); provided, further, that no such assignment shall relieve such Purchaser of its obligations hereunder; and provided further, that in the event of a Corporate Transaction (as defined in Section 8(a) of the Note) has occurred and a Successor (as defined in Section 8(a)(i) of the Note) has complied with Section 8 of the Note, the Successor shall, *ipso facto*, be and become successor to the Bank hereunder and vested with all

of the powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

(b) Following Closing, in the event that either party (or successor to such party) assigns such party's right and obligations (if any) under a Note to a permitted assign in accordance with the terms of such Note, this Agreement and such party's rights and obligations hereunder shall be automatically assigned to and assumed by such permitted assign, without any further action of the parties hereto.

#### 6.5 Counterparts and Facsimile.

For the convenience of the parties hereto, this Agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement. Executed signature pages to this Agreement may be delivered by facsimile transmission or by e-mail delivery of a "pdf" format data file and such signature pages will be deemed as sufficient as if actual signature pages had been delivered.

#### 6.6 Governing Law.

This Agreement will be governed by and construed in accordance with the Laws of the state or jurisdiction in which the Bank is incorporated or organized. The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the state and federal courts located in such state for any actions, suits or proceedings arising out of or relating to this Agreement and the Contemplated Transactions. Venue for any action, suit or proceeding shall be in the courts of the capital of such state. The parties hereby irrevocably and unconditionally consent to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such action, suit or proceeding and irrevocably waive, to the fullest extent permitted by Law, any objection that they may now or hereafter have to the laying of the venue of any such action, suit or proceeding in any such court or that any such action, suit or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such action, suit or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 6.8 shall be deemed effective service of process on such party.

#### 6.7 WAIVER OF JURY TRIAL.

**EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE EXTENT ALLOWABLE UNDER RELEVANT LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE CONTEMPLATED TRANSACTIONS.**

#### 6.8 Notices.

Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally or by electronic mail, telecopy or facsimile, upon confirmation of receipt, (b) on the first business day following the date of dispatch if delivered by a recognized next-day courier service, or (c) on the third business day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

- (a) If to Purchaser, as indicated on Purchaser's signature page hereto;
- (b) If to the Bank:

Summit State Bank  
500 Bicentennial Way  
Santa Rosa, California 95403  
Attention: Camille Kazarian  
Telephone: 707-568-4910  
Email: ckazarian@summitstatebank.com

with a copy to (which copy alone shall not constitute notice):

Sheppard, Mullin, Richter & Hampton LLP  
Four Embarcadero Center, 17<sup>th</sup> Floor  
Attention: David Gershon  
Telephone: 415-434-9100  
Email: DGershon@sheppardmullin.com

#### 6.9 Entire Agreement.

This Agreement (including the Exhibits hereto) constitutes the entire agreement, and supersedes all other prior agreements, understandings, representations and warranties, both written and oral, among the parties, with respect to the subject matter hereof.

#### 6.10 Interpretation; Other Definitions.

Wherever required by the context of this Agreement, the singular shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa, and references to any agreement, document or instrument shall be deemed to refer to such agreement, document or instrument as amended, supplemented or modified from time to time. All article, section, paragraph or clause references not attributed to a particular document shall be references to such parts of this Agreement, and all exhibit, annex, letter and schedule references not attributed to a particular document shall be references to such exhibits, annexes, letters and schedules to this Agreement. In addition, the following terms are ascribed the following meanings:

(a) the term "Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with, such other Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") when used with respect to any Person, means the possession, directly or indirectly, of the power to cause the direction of management or policies of such Person, whether through the ownership of voting securities by contract or otherwise;

(b) "business day" means any day that is not Saturday or Sunday and that, in California, is not a day on which banking institutions generally are authorized or obligated by Law or executive order to be closed;

(c) the terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision;

(d) the words “including,” “includes,” “included” and “include” are deemed to be followed by the words “without limitation”;

(e) to the “Knowledge of the Bank” or “Bank’s Knowledge” means the actual knowledge, after commercially reasonable inquiry, of each of the chief executive officer and chief financial officer of the Bank;

(f) the term “Person” has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act;

(g) the term “Subsidiary” means any entity in which the Bank, directly or indirectly, owns sufficient capital stock or holds a sufficient equity or similar interest such that it is consolidated with the Bank in the financial statements of the Bank; and

(h) the term “Tier 2 Capital” has the meaning given to the term “Tier 2 capital” in the FDIC rules on “Capital Adequacy of FDIC-Supervised Institutions” in 12 C.F.R. Part 324, as amended, modified and supplemented and in effect from time to time or any replacement thereof.

#### 6.11 Captions.

The article, section, paragraph and clause captions herein are for convenience of reference only, do not constitute part of this Agreement and will not be deemed to limit or otherwise affect any of the provisions hereof.

#### 6.12 Severability.

If any provision of this Agreement or the application thereof to any Person (including the officers and directors of the parties hereto) or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the Contemplated Transactions is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

#### 6.13 No Third Party Beneficiaries.

Nothing contained in this Agreement, expressed or implied, is intended to confer upon any Person other than the parties hereto, any benefit right or remedies except that the provisions of Section 4.3 shall inure to the benefit of the Persons referred to in that Section; provided, however, that the Placement Agent shall be a third party beneficiary hereto and may rely on the representations and warranties contained herein to the same extent as if it were a party to the Agreement.

#### 6.14 Time of Essence.

Time is of the essence in the performance of each and every term of this Agreement.

#### 6.15 Public Announcements.

Subject to each party’s disclosure obligations imposed by Law, each of the parties hereto will cooperate with each other in the development and distribution of all news releases and other public

information disclosures with respect to this Agreement and any of the Contemplated Transactions, and except as otherwise permitted in the next sentence, neither the Bank nor any Purchaser will make any such news release or public disclosure that identifies the other party without first consulting with the other, and, in each case, also receiving the other's consent (which shall not be unreasonably withheld or delayed) and all parties shall coordinate with the party whose consent is required with respect to any such news release or public disclosure. In the event a party hereto is advised by its outside legal counsel that a particular disclosure that identifies the other party is required by Law, such party shall be permitted to make such disclosure but shall be obligated to use commercially reasonable efforts to consult with the other party hereto and take its comments into account with respect to the content of such disclosure before issuing such disclosure.

6.16 Specific Performance.

The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms. It is accordingly agreed that the parties shall be entitled to seek specific performance of the terms hereof, this being in addition to any other remedies to which they are entitled at law or equity.

[Signatures Follow]

**IN WITNESS WHEREOF**, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto on the date first written above.

**BANK:**

**SUMMIT STATE BANK**

By: \_\_\_\_\_  
James E. Brush  
President and Chief Executive Officer

*[Signatures Continued on Following Page]*

**PURCHASER:**

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Purchase Price: \$ \_\_\_\_\_

Address for notices:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

with a copy to (which copy alone shall not constitute notice):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT A**

**FORM OF SUBORDINATED NOTE**

**SUMMIT STATE BANK**

**THIS OBLIGATION IS NOT A DEPOSIT AND IS NOT INSURED BY THE UNITED STATES OR ANY AGENCY OR FUND OF THE UNITED STATES, INCLUDING THE FEDERAL DEPOSIT INSURANCE CORPORATION.** THIS OBLIGATION IS SUBORDINATED TO THE CLAIMS OF GENERAL AND SECURED CREDITORS OF THE BANK AND THE CLAIMS OF DEPOSITORS OF THE BANK, IS INELIGIBLE AS COLLATERAL FOR ANY EXTENSION OF CREDIT BY THE BANK OR ANY OF ITS SUBSIDIARIES AND IS UNSECURED.

THIS OBLIGATION IS SUBORDINATED AND JUNIOR IN RIGHT OF PAYMENT TO THE CLAIMS OF CREDITORS AND DEPOSITORS OF SUMMIT STATE BANK (THE "BANK"), OTHER THAN CLAIMS WHICH BY THEIR TERMS RANK EQUALLY WITH OR ARE SUBORDINATED TO THIS OBLIGATION, AND IS UNSECURED. IT IS INELIGIBLE AS COLLATERAL FOR ANY EXTENSION OF CREDIT BY THE BANK OR ANY OF ITS SUBSIDIARIES. IN THE EVENT OF LIQUIDATION, ALL DEPOSITORS AND GENERAL AND SECURED CREDITORS OF THE BANK SHALL BE ENTITLED TO BE PAID IN FULL WITH SUCH INTEREST AS MAY BE PROVIDED BY LAW BEFORE ANY PAYMENT SHALL BE MADE ON ACCOUNT OF PRINCIPAL OF OR INTEREST ON THIS SUBORDINATED NOTE.

NO PAYMENT SHALL AT ANY TIME BE MADE ON ACCOUNT OF THE PRINCIPAL HEREOF, UNLESS FOLLOWING SUCH PAYMENT THE AGGREGATE OF THE BANK'S SHAREHOLDERS' EQUITY AND CAPITAL NOTES OR DEBENTURES THEREAFTER OUTSTANDING SHALL BE THE EQUAL OF SUCH AGGREGATE AT THE DATE OF THE ORIGINAL ISSUE OF THIS SUBORDINATED NOTE, OR AS MAY BE OTHERWISE AUTHORIZED BY THE CALIFORNIA COMMISSIONER OF DEPARTMENT OF BUSINESS OVERSIGHT (THE "CDBO").

THIS SUBORDINATED NOTE WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN MINIMUM DENOMINATIONS OF \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF SUCH NOTES IN A DENOMINATION OF LESS THAN \$100,000 AND MULTIPLES OF \$1,000 IN EXCESS THEREOF SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SUBORDINATED NOTE FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF PAYMENTS ON THIS SUBORDINATED NOTE, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SUBORDINATED NOTE.

THIS SUBORDINATED NOTE MAY BE SOLD ONLY IN COMPLIANCE WITH APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THIS SUBORDINATED NOTE HAS BEEN ISSUED PURSUANT TO A PERMIT ISSUED BY THE DBO AND MAY ONLY BE TRANSFERRED IN COMPLIANCE WITH THE LAWS AND REGULATIONS OF THE DBO. THIS SUBORDINATED NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SUBORDINATED NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT

SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE CALIFORNIA FINANCIAL CODE AND THE SECURITIES ACT. THIS SUBORDINATED NOTE MAY NOT WITHOUT THE PRIOR WRITTEN CONSENT OF THE CDBO UNLESS SUCH TRANSFER IS MADE TO AN "ACCREDITED INVESTOR" AS SUCH TERM IS DEFINED IN 17 C.F.R. 230.215, ANY PURPORTED SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH THE FOREGOING REQUIREMENTS WILL BE VOID.

**CERTAIN ERISA CONSIDERATIONS:**

EACH PURCHASER AND HOLDER OF THIS SUBORDINATED NOTE, OR ANY INTEREST HEREIN, BY ITS ACCEPTANCE HEREOF OR THEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT EITHER (I) IT IS NOT AN EMPLOYEE BENEFIT PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") (EACH A "PLAN"), A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF ANY SUCH PLAN, OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY, OR (II) THAT SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SUBORDINATED NOTE, OR ANY INTEREST HEREIN, ARE NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE. **ANY FIDUCIARY OF ANY PLAN WHO IS CONSIDERING THE ACQUISITION OF THIS SUBORDINATED NOTE OR ANY INTEREST HEREIN SHOULD CONSULT WITH HIS OR HER LEGAL COUNSEL PRIOR TO ACQUIRING THIS SUBORDINATED NOTE OR ANY INTEREST HEREIN.**

SUMMIT STATE BANK

6.0% FIXED-TO-FLOATING SUBORDINATED NOTE DUE 2029

Certificate No.: 2029-[ ]

CUSIP: [ ]

U.S. \$ \_\_\_\_\_

Dated: June 28, 2019

FOR VALUE RECEIVED, the undersigned, SUMMIT STATE BANK, a California banking corporation (the "Bank"), promises to pay to the order of [Purchaser] or its registered assigns (collectively, the "Holder"), the principal amount of [\$ ] ([ ] MILLION DOLLARS), in the lawful currency of the United States of America, or such lesser or greater amount as shall then remain outstanding under this Subordinated Note, at the times and in the manner provided herein, but no later than June 30, 2029 (the "Maturity Date"), or such other date upon which this Subordinated Note shall become due and payable, whether by reason of extension, acceleration or otherwise.

Interest on this Subordinated Note will be payable in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on March 31/June 30/September 30/December 31, 2019, to the Holder of record on March 15, June 15, September 15 and December 15 and at maturity.

Reference is hereby made to the further provisions of this Subordinated Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

*[Purchaser Signature Page to Subordinated Note Purchase Agreement]*

IN WITNESS WHEREOF, the Bank has caused this instrument to be duly executed.

SUMMIT STATE BANK

By: \_\_\_\_\_  
James E. Brush  
President and Chief Executive Officer

ATTEST:

\_\_\_\_\_  
Barbara Goodman  
Corporate Secretary

[REVERSE SIDE OF NOTE]

SUMMIT STATE BANK  
6.0% FIXED-TO-FLOATING SUBORDINATED NOTE DUE 2029

The Bank promises to pay interest on the principal amount of this Subordinated Note, commencing on the original issue date of this Subordinated Note, until June 30, 2029 (the “Maturity Date”), or such earlier date as this Subordinated Note is paid in full, at the rate provided herein. The unpaid principal balance of this Subordinated Note plus all accrued but unpaid interest thereon shall be due and payable on the Maturity Date, or such earlier date on which such amount shall become due and payable. This Subordinated Note is one of the “Notes” referred to in that certain Subordinated Note Purchase Agreement, dated June 30, 2019 (the “Purchase Agreement”), by and among the Bank, the Holder (referred to therein as the “Purchaser”) and the other Purchasers (as defined therein) of the Notes, and the Subordinated Note is entitled to the benefits thereof. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

1. Computation and Payment of Interest. This Subordinated Note will bear interest (a) from and including the original issue date of this Subordinated Note to but excluding June 30, 2024 (the “Fixed-Rate Period End Date”) (or the earlier Redemption Date contemplated by Section 4(a) herein), payable quarterly in arrears at simple interest of six percent (6.0%) per annum (the “Fixed Interest Rate”) on each Interest Payment Date through and including the Fixed-Rate Period End Date; and (b) from and including the Fixed-Rate Period End Date to but excluding the Maturity Date (the “Floating-Rate Period”), at the rate per annum, reset quarterly, equal to the Benchmark plus 362 basis points (the “Floating Interest Rate”), payable quarterly in arrears on each Interest Payment Date during the Floating-Rate Period. “Interest Payment Date” means March 31, June 30, September 30 and December 31 of each year through the Maturity Date. The payments of interest and principal, if any, due on any Interest Payment Date shall be paid to the holders of record on the fifteenth (15th) of the month of each Interest Payment Date. Interest, whether based on the Fixed Interest Rate or the Floating Interest Rate, shall be computed on the basis of thirty (30)-day months and a year of three hundred sixty (360) days.

Notwithstanding anything herein to the contrary, (A) the Bank shall not pay any interest on this Note while it remains in default in the payment of any assessment to the FDIC if payment of such interest would then be prohibited by 12 U.S.C. Section 1828(b) (or any successor statute), and (B) if the Bank becomes a critically undercapitalized depository institution, the Bank shall not make any payments of principal or interest on this Note if the Bank would then be prohibited from making any such payments by 12 U.S.C. Section 1831o (or any successor statute), provided, in each case, (x) interest shall continue to accrue on this Note, and (y) the Bank shall not be relieved from making such payments of principal or interest on this Note when permitted by applicable law.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, FOR SO LONG AS THE BANK IS AN INSURED, STATE NONMEMBER BANK, RETIREMENT, REDEMPTION OR PREPAYMENT OF THIS NOTE IS SUBJECT TO THE PROVISIONS OF SECTION 18(i)(1) OF THE FEDERAL DEPOSIT INSURANCE ACT, 12 U.S.C. SECTION 18(i)(1), REQUIRING THAT NO SUCH BANK SHALL REDUCE THE AMOUNT OR RETIRE ANY PART OF ITS COMMON OR PREFERRED CAPITAL STOCK, OR RETIRE ANY PART OF ITS CAPITAL NOTES OR DEBENTURES WITHOUT THE PRIOR WRITTEN CONSENT OF THE FDIC. THE FDIC HAS NOT GIVEN ANY CONSENT TO RETIREMENT, REDEMPTION OR PREPAYMENT OF THIS NOTE, AND ANY RETIREMENT, REDEMPTION OR PREPAYMENT OF ALL OR PART OF THE PRINCIPAL AMOUNT OF THIS NOTE, INCLUDING THE PAYMENT BY THE BANK OF THE PRINCIPAL AMOUNT OF THIS NOTE WHEN DUE AND PAYABLE AT THE MATURITY HEREOF, WHETHER BY VOLUNTARY OR INVOLUNTARY PAYMENT OR BY ANY OTHER

PAYMENT, UPON ACCELERATION OF THE MATURITY OF THIS NOTE IN ACCORDANCE WITH SECTION 5 HEREOF, OR OTHERWISE, INCLUDING BY MEANS OF BANKER'S LIEN, SETOFF, OFFSET OR SIMILAR LEGAL OR EQUITABLE RIGHTS, BY APPLICATION OF ANY PROPERTY OR OTHER ASSETS OF THE BANK TO THE PAYMENT, REALIZATION UPON, PURCHASE, OR OTHER ACQUISITION OF THIS NOTE, OR IN ANY OTHER WAY, IS SUBJECT TO THE SPECIFIC PRIOR WRITTEN CONSENT OF THE FDIC. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH HOLDER OF THIS NOTE WHICH IS A DEPOSITORY INSTITUTION (REGARDLESS OF WHERE CHARTERED AND WHETHER OR NOT INSURED BY THE FDIC) EXPRESSLY WAIVES ANY RIGHT OF BANKER'S LIEN, SETOFF OFFSET, OR SIMILAR LEGAL OR EQUITABLE RIGHT, WHICH SAID HOLDER MAY OTHERWISE HAVE UNDER ANY APPLICABLE PROVISIONS OF STATUTORY OR COMMON LAWS.

If a Benchmark Replacement Date shall have occurred prior to the Reference Time for any determination of the Benchmark, the Replacement Benchmark shall be selected and such determination and all subsequent determinations will be made using the Replacement Benchmark as of the Reference Time for such Replacement Benchmark.

“Benchmark” means LIBOR; provided that if a Benchmark Replacement Date shall have occurred with respect to LIBOR, then the term “Benchmark” shall mean the applicable Replacement Benchmark, in either case as observed two (2) New York banking days prior to the first day of the applicable floating rate interest period.

“Benchmark Discontinuance Event” means the occurrence of one or more of the following events with respect to a Benchmark:

- (1) a public statement or publication of information by or on behalf of the administrator of such Benchmark announcing that such administrator has ceased or will cease to provide such Benchmark, permanently or indefinitely, *provided* that, at the time of the statement or publication, there is no successor administrator that will continue to provide such Benchmark;
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark, the central bank for the currency of such Benchmark, an insolvency official with jurisdiction over the administrator for such Benchmark, a resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, which states that the administrator of such Benchmark has ceased or will cease to provide such Benchmark permanently or indefinitely, *provided* that, at the time of the statement or publication, there is no successor administrator that will continue to provide such Benchmark;
- (3) a Benchmark rate is not published by the administrator of such Benchmark for five consecutive business days and such failure is not the result of a temporary moratorium, embargo or disruption declared by the administrator of such Benchmark or by the regulatory supervisor for the administrator of such Benchmark and the Benchmark cannot be determined by reference to an Interpolated Period;
- (4) a public statement or publication of information by the administrator of such Benchmark that it has invoked or will invoke, permanently or indefinitely, its insufficient submissions policy; or
- (5) a public statement by the regulatory supervisor for the administrator of such Benchmark announcing that such Benchmark is no longer representative or may no longer be used.

“Benchmark Replacement Date” means:

- (1) for purposes of clauses (1) and (2) of the definition of “Benchmark Discontinuance Event,” the later of (a) the date of such public statement or publication of information and (b) the date on which the administrator of the relevant Benchmark permanently or indefinitely ceases to provide such Benchmark,
- (2) for purposes of clause (3) of the definition of “Benchmark Discontinuance Event,” the first business day following such five (5) consecutive business days,
- (3) for purposes of clause (4) of the definition of “Benchmark Discontinuance Event,” the later of (a) the date of such public statement or publication of information and (b) the date such insufficient submissions policy is invoked, and
- (4) for purposes of clause (5) of the definition of “Benchmark Discontinuance Event,” the later of (a) the date of such public statement and (b) the date as of which the Benchmark may no longer be used (or, if applicable, is no longer representative).

If a Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time for any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and such determination will be made using the applicable Replacement Benchmark.

“Compounded SOFR” means a compounded average of daily SOFR calculated over a Corresponding Period or Interpolated Period, as applicable, that ends on the second New York business day preceding the first day of the applicable interest period, compounded according to the provisions describing the methodology for compounding set forth under “USD-SOFR-COMPOUND” of the ISDA Definitions.

“Corresponding Period” with respect to a Replacement Benchmark means a period or maturity (including overnight) having approximately the same length (disregarding business day adjustments) as the term period for LIBOR.

“Federal Reserve Bank of New York’s Website” means the website of the Board of Governors of the Federal Reserve System at <http://www.newyorkfed.org>, or any successor source.

“Interpolated Period” with respect to a Benchmark means the period determined by interpolating on a linear basis between: (1) such Benchmark for the longest period (for which such Benchmark is available) that is shorter than the Corresponding Period and (2) such Benchmark for the shortest period (for which such Benchmark is available) that is longer than the Corresponding Period.

“ISDA” means the International Swaps and Derivatives Association, Inc. or any successor thereto.

“ISDA Fallback Rate” means the rate to be effective upon the occurrence of an Index Cessation Event with respect to the Benchmark according to (and as defined in) the ISDA Definitions, where such rate may have been adjusted for a tenor equal to the Corresponding Period or Interpolated Period, but without giving effect to any additional spread adjustment to be applied according to such ISDA Definitions.

“ISDA Definitions” means the 2006 ISDA Definitions published by ISDA, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published by ISDA from time to time.

“LIBOR” means, the offered rate for deposits in U.S. dollars having a maturity of three (3) months, as published by ICE Benchmark Administration Limited, a company incorporated in England, or a comparable or successor regulated quoting service, as of the Reference Time (or, if LIBOR has not been published as of the Reference Time, as of the first preceding day for which LIBOR was published); provided that if LIBOR having the maturity of three (3) months shall not be available at the Reference Time, then LIBOR shall mean LIBOR for the Interpolated Period.

“Reference Time” with respect to any determination of a Benchmark means (1) in the case of LIBOR, 11:00 a.m. (London time) on the day that is two (2) London banking days preceding the date of such determination, (2) in the case of a forward-looking term SOFR, as published at approximately 8 a.m. (New York time) on the day that is two (2) New York business days preceding the date of such determination, and (3) in the case of any other Benchmark, as of approximately 8 a.m. (New York time) on the day that is two (2) New York business days preceding the date of such determination.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“Replacement Benchmark” means:

- (1) the forward-looking term SOFR rate for a Corresponding Period (or, if there is no Corresponding Period, such rate for the Interpolated Period) that shall have been selected, endorsed or recommended as the forward-looking term SOFR by the Relevant Governmental Body, plus the applicable Replacement Benchmark Spread; *provided* that:
- (2) if the Unadjusted Replacement Benchmark cannot be determined as of the Benchmark Replacement Date in accordance with clause (1) above, then the Replacement Benchmark shall be Compounded SOFR, plus the applicable Replacement Benchmark Spread; *provided, further*, that:
- (3) if the Unadjusted Replacement Benchmark cannot be determined as of the Benchmark Replacement Date in accordance with clause (1) or (2) above, then the Replacement Benchmark shall be SOFR determined as of the Reference Time and remaining in effect for the duration of the Corresponding Period, plus the applicable Replacement Benchmark Spread; *provided, further*, that:
- (4) if the Unadjusted Replacement Benchmark cannot be determined as of the Benchmark Replacement Date in accordance with clause (1), (2) or (3) above, then the Replacement Benchmark shall be such other alternate, substitute or successor rate as shall have been selected, endorsed or recommended by the Relevant Governmental Body as the replacement for such Replacement Benchmark, plus the applicable Replacement Benchmark Spread; *provided, further*, that:
- (5) if the Unadjusted Replacement Benchmark cannot be determined as of the Benchmark Replacement Date in accordance with clause (1), (2), (3) or (4) above, then the Replacement Benchmark shall be the fallback rate that is applicable under “USD-SOFR-COMPOUND”

following the occurrence of a SOFR Index Cessation Event (as such terms are defined in the ISDA Definitions), plus the applicable Replacement Benchmark Spread; *provided, further*, that:

- (6) if the Unadjusted Replacement Benchmark cannot be determined in accordance with clause (1), (2), (3) or (4) above as of the Benchmark Replacement Date and the Bank, or its designee, (a) shall have determined, in its sole discretion, that the Unadjusted Replacement Benchmark determined in accordance with clause (5) above, if any, is not an industry-accepted successor rate for determining the rate of interest as a replacement to the Benchmark for floating rate note issuances at such time and (b) shall have selected, in its sole discretion, as of the Benchmark Replacement Date an alternate rate of interest to replace the Benchmark that is an industry-accepted successor rate for determining a rate of interest as a replacement to the Benchmark for floating rate notes at such time, then the Replacement Benchmark shall be the rate so determined in clause (b), plus the applicable Replacement Benchmark Spread.

“Replacement Benchmark Spread” with respect to any Replacement Benchmark, means:

- (1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that shall have been selected, endorsed or recommended by the Relevant Governmental Body for the applicable Unadjusted Replacement Benchmark, *provided that*:
- (2) if the Replacement Benchmark Spread cannot be determined as of the Benchmark Replacement Date in accordance with clause (1) above and the applicable Unadjusted Replacement Benchmark is equivalent to the ISDA Fallback Rate, then the Replacement Benchmark Spread shall be the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) (“ISDA Spread Adjustment”) that shall have been selected by ISDA as the spread adjustment that would apply to such ISDA Fallback Rate, *provided, further*, that:
- (3) if (a) the Replacement Benchmark Spread cannot be determined as of the Benchmark Replacement Date in accordance with clause (1) or (2) above or (b) the Bank, or its designee, shall have determined, in its sole discretion as of the Benchmark Replacement Date, that the ISDA Spread Adjustment determined in accordance with clause (2) above does not produce a Replacement Benchmark that is an industry-accepted successor rate for floating rate notes at such time, then the Replacement Benchmark Spread shall be the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) determined by the Bank, or its designee, in its sole discretion (that modifies the ISDA Spread Adjustment, if available) to produce a Replacement Benchmark that is an industry-accepted successor rate for floating rate notes at such time.

“SOFR” means the daily Secured Overnight Financing Rate provided by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Unadjusted Replacement Benchmark” means the Replacement Benchmark excluding the applicable Replacement Benchmark Spread.

2. Non-Business Days. Whenever any payment to be made by the Bank hereunder shall be stated to be due on a day that is not a business day, such payment shall be made on the next succeeding business day without change in any computation of interest with respect to such payment (or any succeeding payment). “Business day” means any day other than a Saturday, Sunday or any other day on

which banking institutions in New York or California are permitted or required by any applicable Law or executive order to close.

3. Transfer. The Bank or its agent (the “Registrar”) shall maintain a register of each holder of the Subordinated Note. The Bank shall be entitled to treat each Person in its register as the beneficial owner of this Subordinated Note. The Subordinated Note will initially be issued in certificated form. This Subordinated Note may be transferred in whole or in part at the principal offices of the Bank or Registrar, accompanied by due endorsement or written instrument of transfer. Upon such surrender and presentment, the Bank or the Registrar shall issue one or more Subordinated Notes with an aggregate principal amount equal to the aggregate principal amount of this Subordinated Note and registered in such name or names requested by the holder of record, each in a minimum denomination of \$100,000 or any amount in excess thereof which is an integral multiple of \$1,000 (and, in the absence of an opinion of counsel satisfactory to the Bank to the contrary, bearing the restrictive legend(s) set forth hereinabove) and shall update its register accordingly. Such transferee shall be solely responsible for delivering to the Bank or the Registrar a mailing address or other information necessary for the Bank or the Registrar to deliver notices and payments to such transferee. Any Subordinated Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed and accompanied by a written instrument of transfer in such form as is attached hereto and incorporated herein, duly executed by the holder or its attorney duly authorized in writing, with such tax identification number or other information for each person in whose name a Subordinated Note is to be issued, and accompanied by evidence of compliance with any restrictive legend(s) appearing on such Subordinated Note or Subordinated Notes as the Bank may reasonably request to comply with applicable law. No exchange or registration of transfer of this Subordinated Note shall be made on or after the fifteenth (15th) day immediately preceding the Maturity Date. THERE CAN BE NO TRANSFER OF THIS SUBORDINATED NOTE WITHOUT THE PRIOR WRITTEN CONSENT OF THE CDBO UNLESS SUCH TRANSFER IS MADE TO AN “ACCREDITED INVESTOR” AS SUCH TERM IS DEFINED IN 17 C.F.R. 230.215.

4. Affirmative Covenants of the Bank. During the time that any portion of the principal balance of this Subordinated Note is unpaid and outstanding, the Bank shall take or cause to be taken the actions set forth below.

(a) Notice of Certain Events. The Bank shall provide written notice to the Holder of the occurrence following the date of this Subordinated Note of the following events as soon as practicable but in no event later than ten (10) business days following the Bank’s becoming aware of the occurrence of such event (provided, however, that no such notice will be required if such occurrence was disclosed pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)):

(i) the Bank becomes less than “well capitalized” pursuant to then-applicable regulatory capital standards;

(ii) the Bank or any executive officer of the Bank becomes subject to any formal, written regulatory enforcement action;

(iii) the ratio of non-performing assets to total assets of the Bank, as calculated by the Bank in the ordinary course of business and consistent with past practices, becomes greater than four percent (4.0%);

(iv) the appointment, resignation, removal or termination of the chief executive officer, president, chief operating officer, chief financial officer, chief credit officer, chief lending officer or any director of the Bank; or

(v) there occurs a change in ownership of twenty-five percent (25.0%) or more of the voting securities of the Bank, except as a result of the issuance of Bank common stock.

(b) Compliance with Laws. The Bank and each Subsidiary of the Bank shall comply with the requirements of all Laws, regulations, orders, and decrees applicable to it or its properties, except for such noncompliance that would not reasonably be expected to have a Material Adverse Effect.

(c) Taxes and Assessments. The Bank and each of its Subsidiaries shall punctually pay and discharge all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income or upon any of its properties; provided, that no such taxes, assessments or other governmental charges need be paid if they are being contested in good faith by the Bank.

(d) Compliance Certificate. If the Bank has not filed a quarterly report on Form 10-Q pursuant to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for such quarter, then, not later than forty-five (45) days following the end of each fiscal quarter (other than a fiscal quarter ending December 31) or if the Bank has not filed an annual report on Form 10-K pursuant to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for a fiscal year, then, not later than ninety (90) days following the end of each fiscal year, the Bank shall provide the Holder with a certificate (the "Compliance Certificate"), executed by the principal executive officer and principal financial officer of the Bank in their capacities as such, stating whether as of the end of such immediately preceding fiscal quarter, (i) the Bank has complied with all notice provisions and covenants contained in this Subordinated Note; (ii) an Event of Default has occurred; (iii) an event of default has occurred under any other indebtedness of the Bank; or (iv) an event or events have occurred that in the reasonable judgment of the management of the Bank would have a material adverse effect on the ability of the Bank to perform its obligations under this Subordinated Note.

(e) Financial Statements; Access to Records.

(i) If the Bank has not filed a quarterly report on Form 10-Q pursuant to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for such quarter, then, not later than forty-five (45) days from the end of each fiscal quarter other than the fiscal quarter ending December 31, the Bank shall provide the Holder with copies of the Bank's unaudited consolidated balance sheet and statement of income (loss) for and as of the end of such immediately preceding fiscal quarter, prepared in accordance with past practice and in a form substantially similar to the form provided to the Holders prior to the date hereof. Quarterly financial statements, if required herein, shall be unaudited and, except for the balance sheet and statement of income (loss) for the Bank, need not comply with GAAP, provided that footnotes may be omitted from all such financial statements.

(ii) If the Bank has not filed an annual report on Form 10-K pursuant to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for such fiscal year, then, not later than ninety (90) days from the end of each fiscal year, the Bank shall provide the Holder with copies of the Bank's audited financial statements consisting of the consolidated balance sheet of the Bank as of date of the fiscal year end and the related statements of income (loss) and retained earnings, shareholders' equity and cash flows for the fiscal year then ended. Such financial statements shall be prepared in accordance with GAAP applied on a consistent basis throughout the period involved.

(f) Business Continuation. The Bank shall use reasonable best efforts to maintain and preserve intact the current organization, business and franchise of the Bank including but not limited to (i) maintaining the corporate existence of the Bank, and (ii) conducting the business of the Bank in the ordinary course of business consistent with past practice.

(g) Approval of Repayment at Maturity, Redemption or Other Principal Payments.

If the approval of the FDIC, California Department of Business Oversight (the “CDBO”), or other governmental agency is required prior to any such payment, the Bank shall use commercially reasonable best efforts to obtain any and all such approvals prior to maturity or redemption. In the event that any such required approval is not obtained, the Bank shall, upon Holder’s reasonable request, reapply for such approval, cooperate with Holder to secure such approval and use commercially reasonable best efforts to obtain such approval. For the avoidance of doubt, upon the failure to make a payment of principal at maturity or redemption, (x) interest shall continue to accrue on this Note, and (y) the Bank shall not be relieved from making such payments of principal or interest on this Note when permitted by applicable law.

5. Negative Covenants.

(a) The Bank shall not declare or pay any dividend or make any distribution on capital stock or other equity securities of any kind of the Bank if the Bank is not “well capitalized” pursuant to then-applicable regulatory capital standards, both immediately prior to the declaration of such dividend or distribution and after giving effect to the payment of such dividend or distribution, other than (i) dividends or distributions payable solely in shares of common stock, or options, warrants or rights to subscribe for or purchase shares of, any class of the Bank’s capital stock; (ii) any declaration of a dividend in connection with the implementation of a shareholders’ rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto; or (iii) as a result of a reclassification of the Bank’s capital stock or the exchange or conversion of one class or series of Borrower’s capital stock for another class or series of the Bank’s capital stock; (iv) the purchase of fractional interests in shares of the Bank’s capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged or (v) purchases of any class of the Bank’s common stock related to the issuance of common stock or rights under any of benefit plans for the Bank’s directors, officers, employees or consultants or any of the Bank’s dividend reinvestment plans.

(b) Other than in connection with a Corporate Transaction which complies with Section 8 hereof, the Bank shall not take any action, omit to take any action or enter into any other transaction that would have the effect of (i) the liquidation or dissolution of the Bank, or (ii) the Bank ceasing to be an “insured depository institution” under Section 3(c)(2) of the Federal Deposit Insurance Act, as amended.

6. Subordination.

(a) The indebtedness of the Bank evidenced by this Subordinated Note, including the principal and interest, shall be subordinate and junior in right of payment to its obligations to (i) the Bank’s general and secured creditors, whether now outstanding or hereafter incurred, except such other creditors holding obligations of the Bank ranking by their terms on a parity with or junior to this Subordinated Note, and (ii) the claims of the Bank’s depositors. No provision of this Subordinated Note shall be construed to prohibit or restrict the Bank’s ability to issue, renew or extend any senior indebtedness or obligations that rank on a parity with or junior to this Subordinated Note. In the event of any insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshaling of assets and liabilities or similar proceedings or any liquidation or winding up of or relating to the Bank, whether voluntary or involuntary, all such obligations shall be entitled to be paid in full before any payment shall be made on account of the principal of or interest on this Subordinated Note. In the event of any such proceedings, after payment in full of all sums owing on such prior obligations, the Holder, together with holders of any obligations of the Bank ranking on a parity with this Subordinated Note (including but not limited to the holders of the other Subordinated Notes), shall be entitled to be paid from the remaining

assets of the Bank the unpaid principal thereof and any interest thereon before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Bank ranking junior to this Subordinated Note. Nothing herein shall impair the obligation of the Bank, which is absolute and unconditional, to pay the principal of and interest on this Subordinated Note according to its terms.

(b) Notwithstanding the provisions of Section 6(a) above, the obligations of the Bank evidenced by this Subordinated Note, including the principal and interest, shall be senior in right and interest of payment to the indebtedness of the Bank in connection with any future indebtedness of the Bank that is expressly made junior to this Subordinated Note by the terms of such indebtedness. Nothing herein shall act to prohibit, limit or impede the Bank from issuing additional debt of the Bank having the same rank as the Subordinated Notes or which may be junior or senior in rank to the Subordinated Notes.

(c) The Holder, if a depository institution, waives any applicable right of offset by it as a lender.

## 7. Events of Default and Remedies.

(a) Notwithstanding any cure periods described below, the Bank shall immediately notify Holder in writing when the Bank obtains knowledge of the occurrence of any default specified below. Regardless of whether the Bank has given the required notice, the occurrence of one or more of the following will constitute an “Event of Default” under this Subordinated Note:

(i) the Bank fails to pay any principal of or installment of interest on this Subordinated Note when due (or, in the case of interest, after a fifteen (15)-day grace period) (for the avoidance of doubt, a failure to make a payment of principal and interest due to the failure to obtain any required regulatory approval of such payment constitutes an Event of Default);

(ii) the Bank fails to keep or perform any of its agreements, undertakings, obligations, covenants or conditions under the Purchase Agreement or this Subordinated Note not expressly referred to in another clause of this Section 7 and such failure continues until the earlier of (A) for a period of thirty (30) days, if the Bank’s failure to keep or perform such agreement, undertaking, obligation, covenant or condition is known the Bank or (B) fifteen (15) days after a Holder’s notice to the Bank, if the Bank’s failure to keep or perform such agreement, undertaking, obligation, covenant or condition is not known the Bank;

(iii) any certification made pursuant to the Purchase Agreement or this Subordinated Note by the Bank or otherwise made in writing in connection with or as contemplated by the Purchase Agreement or this Subordinated Note by the Bank shall be materially incorrect or false as of the delivery date of such certification, or any representation to Holder by the Bank as to the financial condition or credit standing of the Bank is or proves to be false or misleading in any material respect;

(iv) the Bank (A) becomes insolvent or unable to pay its debts as they mature, (B) makes an assignment for the benefit of creditors, or (C) admits in writing its inability to pay its debts as they mature; or

(v) the Bank becomes subject to a receivership, insolvency, liquidation, or similar proceeding.

(b) Remedies of Holders. Upon the occurrence of any Event of Default, Holder shall have the right, if such Event of Default shall then be continuing, in addition to all the remedies conferred

upon Holder by the terms of the Purchase Agreement or this Subordinated Note, to do any or all of the following, concurrently or successively, without notice to the Bank:

(i) solely pursuant to a default under Section 7(a)(v), declare this Subordinated Note to be, and it shall thereupon become, immediately due and payable, subject to approval by applicable regulatory authorities, without presentation, demand, protest or notice of any kind, all of which are hereby expressly waived, anything contained herein or in this Subordinated Note to the contrary; or

(ii) exercise all of its rights and remedies at law or in equity, excluding the right, if any, to declare this Subordinated Note to be immediately due and payable (such right to acceleration being governed solely by Section 7(b)(i)).

(c) Distribution Limitations Upon Event of Default. Upon the occurrence of any Event of Default and until such Event of Default is cured by the Bank, the Bank shall not (i) declare, pay, or make any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Bank's capital stock, (ii) make any payment of principal or interest or premium, if any on or repay, repurchase or redeem any debt securities of the Bank that rank equal with or junior to the Subordinated Notes, or (iii) make any payments under any guarantee that ranks equal with or junior to the Subordinated Notes, other than (A) any dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, any class of the Bank's common stock; (B) any declaration of a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto; (C) as a result of a reclassification of the Bank's capital stock or the exchange or conversion of one class or series of the Bank's capital stock for another class or series of the Bank' capital stock; (iv) the purchase of fractional interests in shares of the Bank's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or (v) purchases of any class of the Bank's common stock related to the issuance of common stock or rights under any of benefit plans for the Bank's directors, officers, employees or consultants or any of the Bank's dividend reinvestment plans. The limitations imposed by the provisions of this Section 7(c) shall apply whether or not notice of an Event of Default has been given.

(d) Reimbursement of Expenses. Upon the occurrence of any Event of Default, in addition to all the remedies conferred upon Holder by the terms of the Purchase Agreement or this Subordinated Note and subject to any applicable Law, the Bank shall pay Holder's reasonable fees and expenses including attorneys' fees and expenses as may be awarded by a court in connection with the enforcement of this Agreement or other related documents, provided, that the Bank shall not be obligated to pay fees and expenses of more than one firm of counsel to the Holders of the Subordinated Notes, which firm shall be selected by the Holders of more than fifty percent (50.0%) of the aggregate outstanding principal amount of the Subordinated Notes then outstanding (excluding Subordinated Notes held by the Bank or Affiliates of the Bank).

(e) Other Remedies. Nothing in this Section 7 is intended to restrict Holder's rights under this Subordinated Note, other related documents, or at law or in equity, and Holder may exercise such rights and remedies as and when they are available to the extent permitted by Section 7(b).

#### 8. Successors to the Bank.

(a) Conditions Applicable to Successors. The Bank shall not merge with or into, nor sell all or substantially all of its assets to any Person (each, a "Corporate Transaction") unless:

(i) except in a case in which the Bank is the surviving entity in a merger, such Person (the “Successor”) executes, and delivers to the Holder, a copy of an instrument pursuant to which such Person assumes the due and punctual payment of the principal of and interest on this Subordinated Note and the performance and observance of all the obligations of the Bank under this Subordinated Note, and

(ii) immediately after giving effect to the transaction, no Event of Default and no event which after notice or lapse of time or both would become an Event of Default shall have occurred.

(b) Successor as Bank. Upon compliance with this Section 8, the Successor shall succeed to and be substituted for the Bank under this Subordinated Note with the same effect as if the Successor had been named as the Bank herein, and the Bank shall be released from the obligation to pay the principal of and interest accrued on the Subordinated Notes.

9. Amendments and Waivers.

(a) Amendment of Subordinated Notes. Except as otherwise provided in this Section 9, and subject to any necessary regulatory approval, the Subordinated Notes may, with the consent of the Bank and the Holders of more than fifty percent (50.0%) of the aggregate outstanding principal amount of the Subordinated Notes then outstanding (excluding Subordinated Notes held by the Bank or Affiliates of the Bank), be amended or any provision, past or existing default, or non-compliance thereof waived (or modify any previously granted waiver); provided, however, that, without the consent of each Holder of an affected Subordinated Note, no such amendment or waiver may:

- (i) reduce the principal amount of the Subordinated Note;
- (ii) reduce the rate of or change the time for payment of interest on any Subordinated Note;
- (iii) extend the maturity of any Subordinated Note;
- (iv) make any change in Sections 6 through 9 hereof;
- (v) make any change in Section 11 hereof that adversely affects the rights of any holder of a Subordinated Note; or
- (vi) disproportionately affect any of the Holders of the then outstanding Subordinated Notes.

(b) Effectiveness of Amendments. An amendment or waiver becomes effective in accordance with its terms and thereafter binds every holder of the Subordinated Notes, unless otherwise provided by Section 9(a) above. After an amendment or waiver becomes effective, the Bank shall mail to the Holder a copy of such amendment or waiver. The Bank may require the Holder to surrender this Subordinated Note so that an appropriate notation concerning the amendment or waiver may be placed thereon or a new Subordinated Note, reflecting the amendment or waiver, exchanged therefor. Even if such a notation is not made or such a new Subordinated Note is not issued, such amendment or waiver and any consent given thereto by a Holder of this Subordinated Note shall be binding according to its terms on any subsequent Holder of this Subordinated Note.

(c) Amendments Without Consent of Holders. Notwithstanding Section 9(a) hereof but subject to the provisos contained in subsections (i) through (vi) therein, the Bank may amend or supplement this Subordinated Note without the consent of the holders of the Subordinated Notes to: (i) cure any ambiguity, defect or inconsistency therein; (ii) provide for uncertificated Subordinated Notes in addition to or in place of certificated Subordinated Notes; or (iii) make any other change, in each case, that does not adversely affect the rights of any holder of any Subordinated Note.

10. Order of Payments; Pari Passu. Any payments made hereunder shall be applied first against interest due hereunder; and then against principal due hereunder. Holder acknowledges and agrees that the payment of all or any portion of the outstanding principal amount of this Subordinated Note and all interest hereon shall be pari passu in right of payment and in all other respects to the other Subordinated Notes and subordinated debt issued by the Bank in the future which by its terms are pari passu with the Subordinated Notes. In the event Holder receives payments in excess of its pro rata share of the Bank's payments to the holders of all of the Subordinated Notes, then Holder shall hold in trust all such excess payments for the benefit of the holders of the other Subordinated Notes and shall pay such amounts held in trust to such other holders upon demand by such holders.

11. Optional Redemption.

(a) Redemption Prior to Fifth Anniversary. This Subordinated Note shall not be redeemable by the Bank prior to the fifth anniversary of the effective date of this Subordinated Note, except that in the event (i) the Bank is subject to the consolidated capital requirements under applicable regulations of the Board of Governors of the Federal Reserve System ("Federal Reserve") and after such time this Subordinated Note no longer qualifies as "Tier 2" capital (as defined by the Federal Reserve) as a result of any amendment or change in interpretation or application of Law or regulation by any judicial, legislative or regulatory authority that becomes effective after the date of issuance of this Subordinated Note, (ii) of a Tax Event (as defined below), or (iii) of an Investment Company Act Event (as defined below), the Bank may redeem this Subordinated Note, in whole and not in part, at any time upon giving not less than ten (10) days' notice to the Holder of this Subordinated Note at an amount equal to one hundred percent (100.0%) of the principal amount outstanding plus accrued but unpaid interest to but excluding the date fixed for redemption (the "Redemption Date"). "Tax Event" means the receipt by the Bank of an opinion of counsel to the Bank that as a result of any amendment to, or change (including any final and adopted (or enacted) prospective change) in, the Laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such Laws or regulations, there exists a material risk that interest payable by the Bank on the Subordinated Notes is not, or within one hundred twenty (120) days after the receipt of such opinion will not be, deductible by the Bank, in whole or in part, for United States federal income tax purposes. "Investment Company Act Event" means the receipt by the Bank of an opinion of counsel to the Bank to the effect that there is a material risk that the Bank is, or within one hundred twenty (120) days of the date of such opinion will be, considered an "investment company" that is required to register under the Investment Company Act of 1940, as amended.

(b) Redemption on or After Fifth Anniversary. On or after the fifth anniversary of the effective date of this Subordinated Note, this Subordinated Note shall be redeemable by the Bank, in whole or in part, upon giving the notice required in Section 11(c), for a redemption price equal to one hundred percent (100.0%) of the principal amount of this Subordinated Note, or portion thereof, to be redeemed, plus accrued but unpaid interest, if any, thereon to, but excluding, the Redemption Date.

(c) Notice of Redemption. Notice of redemption of this Subordinated Note shall be given by first class mail, postage prepaid, addressed to the Holder at its last address appearing on the

books of the Bank. Such mailing shall be at least thirty (30) days and not more than sixty (60) days before the Redemption Date. Any notice mailed as provided in this Subordinated Note shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to the Holder shall not affect the validity of the proceedings for the redemption of any other holders of the Subordinated Notes. Each notice of redemption given to the Holder shall state: (i) the Redemption Date; (ii) the principal amount of this Subordinated Note to be redeemed; (iii) the redemption price; and (iv) the place or places where this Subordinated Note is to be surrendered for payment of the redemption price.

(d) Partial Redemption. If less than the then outstanding principal amount of this Subordinated Note is redeemed, (i) a new Subordinated Note shall be issued representing the unredeemed portion without charge to the Holder thereof and (ii) such redemption shall be effected on a pro rata basis as to the Holders of the Subordinated Notes. For purposes of clarity, upon a partial redemption, a like percentage of the principal amount of every Subordinated Note held by every Holder shall be redeemed.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the Redemption Date all funds necessary for the redemption have been deposited by the Bank, in trust for the pro rata benefit of the Holders of the Subordinated Notes called for redemption, so as to be and continue to be available solely therefor, then, notwithstanding that any Subordinated Notes so called for redemption have not been surrendered for cancellation, on and after the Redemption Date interest shall cease to accrue on all Subordinated Notes so called for redemption, all Subordinated Notes so called for redemption shall no longer be deemed outstanding and all rights with respect to such Subordinated Notes shall forthwith on such Redemption Date cease and terminate, except only the right of the Holders thereof to receive the amount payable on such redemption held in trust, without interest. Any funds unclaimed at the end of three (3) years from the Redemption Date shall, to the extent permitted by Law, be released to the Bank, after which time the Holders of the Subordinated Notes so called for redemption shall look only to the Bank for payment of the redemption price of such Subordinated Notes.

(f) Regulatory Approval. In accordance with Section 1211 of the California Financial Code, no payment shall at any time be made on account of the principal of this Subordinated Note, unless following such payment the aggregate of the Banks' shareholders' equity and any of the Bank's capital notes or debentures thereafter outstanding, shall be the equal to such aggregate at the date of the original issue of such capital notes or debentures, or as may be otherwise authorized by the CDBO. If necessary, any redemption or prepayment of this Subordinated Note shall be subject to receipt of prior written approval by the FDIC (or any successor bank regulatory agency having supervisory authority over the Bank), the CDBO and any and all other required federal and state regulatory approvals.

(g) No Sinking Fund. The Subordinated Notes are not entitled to any sinking fund.

(h) Repurchases. Subject to any required federal and state regulatory approvals and the provisions of this Subordinated Note, the Bank shall have the right to purchase any of the Subordinated Notes at any time in the open market, private transactions or otherwise. If the Bank purchases any Subordinated Notes, it may, in its discretion, hold, resell or cancel any of the purchased Subordinated Notes.

12. Notices. All notices and other communications hereunder shall be in writing and, for purposes of this Subordinated Note, shall be delivered in accordance with, and effective as provided in, the Purchase Agreement.

13. Conflicts; Governing Law; Interpretation. In the case of any conflict between the provisions of this Subordinated Note and the Purchase Agreement, the provisions of this Subordinated

Note shall control. This Subordinated Note shall be construed in accordance with, and be governed by, the Laws of the state of California without giving effect to any conflicts of law provisions of such Laws. This Subordinated Note is intended to meet the criteria for qualification of the outstanding principal as Tier 2 capital under the regulatory guidelines of the Federal Reserve. If at any time the Bank is subject to consolidated capital requirements under applicable regulations of the Federal Reserve and after such time all or any portion of this Subordinated Note ceases to be deemed to be Tier 2 capital, other than due to the limitation imposed on the capital treatment of subordinated debt during the five years immediately preceding the maturity date of this Subordinated Note, the Bank will promptly notify the Holder, and thereafter, subject to the Bank's right to redeem this Subordinated Note under such circumstances pursuant to the terms of this Subordinated Note, if requested by the Bank, the Bank and the Holder will work together in good faith to execute and deliver all agreements as reasonably necessary in order to restructure the applicable portions of the obligations evidenced by this Subordinated Note to qualify as Tier 2 capital.

14. Successors and Assigns. This Subordinated Note shall be binding upon the Bank and inure to the benefit of the Holder and its respective successors and permitted assigns. The Holder may assign all, or any part of, or any interest in, the Holder's rights and benefits hereunder only to the extent and in the manner permitted in the Purchase Agreement and Section 3 hereof. To the extent of any such assignment, such assignee shall have the same rights and benefits against the Bank and shall agree to be bound by and to comply with the terms and conditions of the Purchase Agreement as it would have had if it were the Holder hereunder. The Bank may not assign this Subordinated Note or its obligations hereunder except as provided in Section 8 hereto or with the prior written consent of the Holder.

15. Notes Solely Corporate Obligations. The Holder shall not have any recourse for the payment of principal or interest, on any Subordinated Note, for any claim based thereon or otherwise with respect thereto, under any obligation, covenant or agreement of the Bank in this Subordinated Note, or because of the creation of any indebtedness represented hereby, against any incorporator, shareholder, employee, agent, officer, director or subsidiary, as such, past, present or future, of the Bank or of any successor Person, either directly or through the Bank or any successor Person, whether by virtue of any constitution, statute or rule of law, or by enforcement of any assessment or penalty or otherwise. The Holder agrees that all such liability is hereby expressly waived and released as a condition of, and consideration for, the execution and issuance of this Subordinated Note.

16. Waivers. Neither any failure nor any delay on the part of the Holder in exercising any right, power or privilege under this Subordinated Note shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege.

17. Further Issues. The Issuer may, without the consent of the holders of the Subordinated Notes, create and issue additional notes having the same terms and conditions of the Subordinated Notes (except for the issue date and issue price) so that such further notes shall be consolidated and form a single series with the Subordinated Notes; *provided, however*, that no further issuances pursuant to this section shall result in such issuances being included in the definition of "Subordinated Notes" for purposes of determining the aggregate principal amount of the Subordinated Notes at the time outstanding for purposes of approving waivers or amendments of terms of this Subordinated Note. Any such issuance will be issued in compliance with the rules and regulations of the CDBO and in compliance with the Securities Act, subject to approval of the CDBO.

## EXHIBIT B

### FORM OF LEGAL OPINION

1. The Bank (a) has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of California and (b) is duly authorized to conduct the business of a bank under the California Financial Code.
  2. The Bank is an “insured depository institution” under Section 3(c)(2) of the Federal Deposit Insurance Act, as amended.
  3. The Bank has all necessary corporate power and authority to execute, deliver and perform its obligations under the Transaction Documents and to perform the transactions contemplated by the Transaction Documents.
  4. The execution and delivery by the Bank of the Transaction Documents, and the consummation or performance by the Bank of the obligations thereunder on the date hereof, do not (a) violate any federal or California statute, rule or regulation applicable to the Bank regulation that we have, in the exercise of customary professional diligence, recognized as generally applicable in transactions of the nature contemplated by the Transaction Documents; (b) violate any court order, judgment or decree applicable to the Bank and known to us; or (c) result in any violation of the Articles of Incorporation, as amended, or By-laws of the Bank, each as currently in effect.
  5. The Agreement has been duly authorized, executed and delivered by the Bank. The Agreement constitutes a legal valid and binding obligation of the Bank, enforceable against the Bank in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors generally and to general principles of equity.
  6. The Notes have been duly and validly authorized and executed by the Bank and, when issued and delivered to and paid for by Purchasers in accordance with the terms of the Agreement, will constitute legal, valid and binding obligations of the Bank, enforceable against the Bank in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors generally and to general principles of equity.
  7. Assuming the accuracy of the representations, warranties and covenants of the Purchasers in the Agreement, no registration of the Notes under the Securities Act is required in connection with the Bank’s issue and sale of the Notes to the Purchasers in the manner contemplated by the Agreement.
  8. Neither the Bank nor any of its Subsidiaries is an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.
- \* The opinion will be subject to customary limitations and carveouts.

**EXHIBIT C**  
**RISK FACTORS**

**Risks Relating to the Offering**

***The Subordinated Notes will not be insured or guaranteed by the FDIC.***

The Subordinated Notes will not be savings accounts, deposits or other obligations of the Bank and, accordingly, will not be insured or guaranteed by the FDIC, or any other governmental agency or instrumentality.

***The Bank's obligations under the Subordinated Notes will be unsecured and will be subordinated in right of payment to certain of the Bank's obligations.***

The Subordinated Notes will be effectively subordinated to any existing or future secured debt the Bank may incur, to the extent of the value of the assets securing such debt. The Bank may not have sufficient assets to pay amounts due on the Subordinated Notes. As a result, if holders of the Subordinated Notes receive any payments, they may receive less, ratably, than holders of secured indebtedness. In addition, the Subordinated Notes are expressly subordinated in right of payment to the Bank's existing and future senior indebtedness. As a result, if holders of the Subordinated Notes receive any payments, they may receive less, ratably, than holders of the Bank's senior indebtedness.

***The Subordinated Notes will not restrict the Bank's ability to incur additional debt.***

The Subordinated Notes do not limit the amount of additional indebtedness the Bank may incur or the amount of other obligations ranking senior or equal to the indebtedness evidenced by the Subordinated Notes that the Bank may incur. If the Bank incurs additional debt or liabilities, the Bank's ability to pay its obligations on the Subordinated Notes could be adversely affected. The Bank expects to incur, from time to time, additional debt and other liabilities. In addition, the Bank is not restricted under the Subordinated Notes from granting security interests over its assets, paying dividends or issuing or repurchasing its securities. Holders of Subordinated Notes are not protected under the Subordinated Notes in the event of a highly leveraged transaction, reorganization, default by the Bank under its existing or future indebtedness, restructuring, merger or similar transaction that may adversely affect the Bank's credit quality.

***The Bank may not be able to generate sufficient cash to service its debt obligations, including obligations under the Subordinated Notes.***

The Bank's ability to make payments on and to refinance its indebtedness, including the Subordinated Notes, will depend on the Bank's financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond the Bank's control. The Bank may be unable to maintain a level of cash flows from operating activities sufficient to permit payment of the principal, premium, if any, and interest on its indebtedness, including the Subordinated Notes.

If the Bank's cash flows and capital resources are insufficient to fund its debt service obligations, the Bank may be unable to obtain new financing or to fund its existing obligations and otherwise implement the Bank's business plans, or to sell assets, seek additional capital or restructure or refinance its indebtedness, including the Subordinated Notes. As a result, the Bank may be unable to meet its scheduled debt service obligations, including obligations under the Subordinated Notes. In the absence of

sufficient operating results and resources, the Bank could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations. The Bank may not be able to dispose of material assets or operations to meet its debt service and other obligations. The Bank may not be able to consummate those dispositions of assets or to obtain the proceeds that it could realize from them and these proceeds may not be adequate to meet any debt service obligations then due, including obligations under the Subordinated Notes.

***There is no established trading market for the Subordinated Notes, which could make it more difficult for holders of Subordinated Notes to sell their Subordinated Notes and could adversely affect their price.***

The Subordinated Notes constitute a new issuance of securities for which no established trading market exists or is expected to develop. Further, there are limitations as to what persons or entities the Subordinated Notes may be sold or transferred, which may limit their marketability. Consequently, it may be difficult for holders to sell their Subordinated Notes. If the Subordinated Notes are traded after their initial issuance, they may trade at a discount, depending upon:

- the Bank's financial condition, performance and prospects;
- prevailing interest rates;
- the time remaining on the maturity of the Subordinated Notes;
- the Bank's other existing and future liabilities, including senior Indebtedness and other obligations;
- the outstanding principal amount of the Subordinated Notes;
- the market for similar securities; and
- other factors beyond the Bank's control, including economic, financial, geopolitical, regulatory or judicial events that affect the Bank or the financial markets generally (including the occurrence of market disruption events).

The Subordinated Notes will not be listed on any securities exchange. The Bank cannot assure holders of Subordinated Notes of the development or liquidity of any trading market for the Subordinated Notes following the offering.

***Increased leverage as a result of this offering may harm the Bank's financial condition and results of operations.***

The level of the Bank's indebtedness could have important consequences to holders of Subordinated Notes, because:

- it could affect the Bank's ability to satisfy the Bank's financial obligations, including those relating to the Subordinated Notes;
- a portion of cash flows from the Bank's operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- it may impair the Bank's ability to obtain additional financing in the future;
- it may limit the Bank's flexibility in planning for, or reacting to, changes in business and industry; and
- it may make the Bank more vulnerable to downturns in business, industry or the economy in general.

***The Subordinated Notes will not be issued pursuant to an indenture.***

The Bank has not entered into or qualified any trust indenture in connection with the Subordinated Notes. The Subordinated Notes will be issued pursuant to one or more Subordinated Note Purchase Agreements. The Placement Agent is not a fiduciary for the holders of the Subordinated Notes and is not required to enforce the rights of the holders of the Subordinated Notes, including the rights to receive principal and interest.

***The Subordinated Notes are being offered and sold pursuant to a permit issued by the California Department of Business Oversight.***

The Subordinated Notes will be offered and sold pursuant to a permit issued by the California Department of Business Oversight (the “CDBO”), and may only be transferred in compliance with the laws and regulations of the CDBO. There can be no transfer of any Subordinated Notes without the prior written consent of the CDBO unless such transfer is made to an “accredited investor” as such term is defined in 17 C.F.R. 230.215. The CDBO permit is not an endorsement or recommendation of the CDBO with respect to the Subordinated Notes or the Subordinated Note Purchase Agreements.

***Holders of the Subordinated Notes will have limited rights if there is an event of default.***

An event of default under the Subordinated Notes will occur, and the payment of principal of the Subordinated Notes may be accelerated, only in the case of certain bankruptcy, insolvency, reorganization or receivership events. In addition, the CDBO or the FDIC may require that any prepayment (including prepayment as a result of acceleration as described above) of outstanding subordinated debt be made only with its prior approval.

**Economic or Market Risks**

***The Bank’s business may be adversely affected by general economic conditions including conditions in California.***

The banking business is affected by general economic and political conditions, both domestic and international, and by governmental monetary and fiscal policies. Conditions such as inflation, recession, unemployment, volatile interest rates, money supply, scarce natural resources, weather, natural disasters such as earthquakes, international disorders, and other factors beyond the Bank’s control may adversely affect the profitability of the Bank.

A substantial majority of the Bank’s assets and deposits are generated in Northern California. Local economic conditions in this area can have a significant impact on the demand for the Bank’s products and services, the ability of borrowers to pay interest on and repay the principal of its loans, and the value of the collateral securing these loans. Adverse changes in economic conditions in the Northern California market may negatively affect the Bank’s business, results of operations or financial condition.

***The Bank is highly dependent on real estate and events that negatively impact the real estate market could hurt its business.***

A significant portion of the Bank’s loan portfolio is dependent on real estate. At December 31, 2018, real estate served as the principal source of collateral with respect to approximately 91% of the Bank’s loan portfolio. A future decline in the value of the real estate securing the Bank’s loans and real estate owned by us could adversely impact financial condition. In addition, acts of nature, including earthquakes, brush fires and floods, which may cause uninsured damage and other loss of value to real estate that secures these

loans, may also negatively impact the Bank's financial condition. This is particularly significant in light of the fact that substantially all of the real estate that makes up the collateral of the Bank's real estate-secured loans is located in Northern California, where earthquakes and brush fires are common.

## **Lending and Other Operating Risks**

*The Bank's allowance for loan losses may prove to be insufficient to absorb losses in its loan portfolio.*

Lending money is a substantial part of the Bank's business. Every loan carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- cash flow of the borrower and/or the project being financed;
- the changes and uncertainties as to the future value of the collateral, in the case of a collateralized loan;
- the credit experience of a particular borrower;
- changes in economic and industry conditions; and
- the duration of the loan.

The Bank maintains an allowance for loan losses, a reserve established through a provision for loan losses charged to expense, which the Bank believes is appropriate to provide for probable losses in its loan portfolio. The amount of this allowance is determined by Bank management through a periodic review and consideration of several factors, including, but not limited to:

- the Bank's general reserve, based on its historical default and loss experience as well as current macroeconomic factors; and
- the Bank's specific reserve, based on its evaluation of non-performing loans and their underlying collateral.

The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Bank's control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review the Bank's allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses, the Bank may need additional provisions to replenish the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and, most likely, capital, and may have a material negative effect on the Bank's financial condition and results of operations.

*A new accounting standard may require the Bank to increase its allowance for loan losses and may have a material adverse effect on its financial condition and results of operations.*

The Financial Accounting Standards Board ("FASB") has adopted a new accounting standard that will be effective for the Bank's fiscal year, and interim periods within the fiscal year, beginning January 1, 2020. This standard, referred to as Current Expected Credit Loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan losses. This will change the current method of providing allowances for loan

losses that are probable, which may require the Bank to increase its allowance for loan losses, and to greatly increase the types of data its will need to collect and review to determine the appropriate level of the allowance for loan losses. Any change in the allowance for loan losses at the time of adoption will be an adjustment to retained earnings and would change the Bank's capital levels. A banking organization that experiences a reduction in retained earnings as of the CECL adoption date may elect to phase in the day-one regulatory capital impact of adopting CECL over a three-year transition period. Any increase in the Bank's allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses may have a material adverse effect on the Bank's financial condition and results of operations. Upon adoption of the CECL, credit loss allowances may increase, which would decrease retained earnings and thereby affect common equity tier 1 capital for regulatory capital purposes. CECL implementation poses operational risk, including the failure to properly transition internal processes or systems, which could lead to call report errors, financial misstatements, or operational losses. Successful implementation may require adjustments to existing data elements and credit loss methods.

***Regulatory requirements affecting the Bank's loans secured by commercial real estate could limit its ability to leverage its capital and adversely affect its growth and profitability.***

Rising commercial real estate lending concentrations may expose institutions like us to unanticipated earnings and capital volatility in the event of adverse changes in the commercial real estate market. In addition, institutions that are exposed to significant commercial real estate concentration risk may be subject to increased regulatory scrutiny. The federal banking agencies have issued guidance for institutions that are deemed to have concentrations in commercial real estate lending. Pursuant to the supervisory criteria contained in the guidance for identifying institutions with a potential commercial real estate concentration risk, institutions that have (i) total reported loans for construction, land development, and other land which represent 100% or more of an institution's total risk-based capital; or (ii) total commercial real estate loans which represent 300% or more of the institution's total risk-based capital and an increase in the outstanding balance of the institution's commercial real estate loan portfolio of 50% or more during the prior 36 months, are identified as having potential commercial real estate concentration risk. As of December 31, 2018, the Bank's loans for construction, land development and other land represented 37% of its total risk-based capital. The Bank's non-owner occupied commercial real estate concentration at December 31, 2018 was 258% of the Bank's capital. Management has implemented and continues to maintain heightened portfolio monitoring and reporting, and enhanced underwriting criteria with respect to its commercial real estate portfolio. Nevertheless, the Bank's level of commercial real estate lending could limit its growth or require us to obtain additional capital and could have a material adverse effect on its business, financial condition and results of operations.

***Our business is subject to liquidity risk and changes in its source of funds may affect its performance and financial condition.***

Our ability to make loans is directly related to its ability to secure funding. In addition to local deposits, the Bank receives funding from FHLB advances, brokered deposits and State of California time deposits, when such alternatives are attractive compared to the cost of attracting additional local deposits. These alternative sources of funds, along with local time deposits, are sensitive to interest rates and can affect the cost of funds and net interest margin. Liquidity risk arises from the inability to meet obligations when they come due or to manage the unplanned decreases or changes in funding sources. Although the Bank believes it can continue to successfully pursue a local deposit funding strategy, if there are significant fluctuations in local deposit balances or if one of the alternative sources of funds becomes unavailable, the Bank may experience an adverse effect on its financial condition and results of operations.

***Changes in interest rates may reduce the Bank's net income.***

The income of the Bank depends to a great extent on the difference between the interest rates earned on its loans, securities and other interest-earning assets and the interest rates paid on its deposits and other interest-bearing liabilities. These rates are highly sensitive to many factors that are beyond the Bank's control, including general economic conditions and the policies of various governmental and regulatory agencies, in particular the Federal Reserve Board. A change in interest rates could have a material adverse effect on the Bank's results of operations, financial condition and prospects by reducing the spread between income realized on interest earning assets and interest paid on interest bearing liabilities. Generally, the value of fixed-rate securities fluctuates inversely with changes in interest rates. Therefore, an increase in interest rates could cause the fair value of the Bank's securities investments to decrease.

***The Bank is exposed to risk of environmental and other liabilities with respect to properties to which it takes title.***

In the course of the Bank's business, it may foreclose and take title to real estate, and could be subject to environmental or other liabilities with respect to these properties. The Bank may be held liable to a governmental entity or to third persons for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or the Bank may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, in the event the Bank becomes the owner or former owner of a contaminated site, the Bank may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If the Bank ever becomes subject to significant environmental liabilities, its business, financial condition, liquidity and results of operations could be materially and adversely affected.

***The Bank is exposed to adverse, regulatory, reputation and litigation risk with respect to California's marijuana laws.***

The California Adult Use of Marijuana Act authorizes adults 21 and over to possess, privately use, and give away up to one ounce of cannabis, and to cultivate no more than six plants for personal use at their residence. It also legalizes the commercial sale, distribution and production of cannabis for adult use at state-licensed facilities beginning January 1, 2018, under terms spelled out in the Medical and Adult Use of Cannabis Regulation and Safety Act approved by the legislature in 2017. Local city and county governments can restrict or ban cannabis businesses in their jurisdiction. Marijuana remains illegal under the federal Controlled Substances Act and banks are prohibited from knowingly providing banking services to enterprises that are illegal under federal law. However, in 2013, the U.S. Department of Justice issued the "Cole Memorandum," which directed federal prosecutors to focus prosecutorial priorities away from state-legal marijuana activity unless certain heightened risk factors were present. Further, in 2014, the Financial Crimes Enforcement Network or FinCEN issued guidance to banks on how to comply with the due diligence and reporting requirements in the Bank Secrecy Act when providing banking services to marijuana businesses. On January 4, 2018, the U.S. Attorney General announced the rescission of the Cole Memorandum and announced that federal prosecutors retain the discretion to prosecute violations of the Controlled Substances Act, including state-legal recreational marijuana activity, in accordance with principles that govern all federal prosecutions. The Bank does not knowingly offer banking services to marijuana-related enterprises. However, in the course of its business, the Bank may foreclose and take title to real estate that is used in a marijuana business, or may inadvertently offer loan or deposit services to customers who engage in that business if the customer misrepresents or hides its involvement in the cannabis industry. In the event the Bank unknowingly provides banking services to a marijuana-related business, or holds funds used in a marijuana business, or is seen as participating in an illegal enterprise, the Bank may be subject to additional risk, including through litigation, regulatory enforcement actions, collateral asset seizure, and reputation risk.

***The Bank's growth or future losses may require it to raise additional capital in the future, but that capital may not be available when it is needed or the cost of that capital may be very high.***

Under applicable government regulations, the Bank is permitted to make unsecured loans to any single borrower or group of related borrowers in an amount that will not exceed 15% of its shareholders' equity, plus the allowance for loan losses, capital notes and debentures, and secured loans in an amount that, when combined with unsecured loans made to the same borrower or group of related borrowers, will not exceed 25% of its shareholders' equity, plus the allowance for loan losses, capital notes and debentures ("Lending Limits"). Such Lending Limits make it more difficult for the Bank to attract borrowers who have lending requirements in excess of those Lending Limits, which may play the Bank at a competitive disadvantage relative to its larger competitors.

***The accuracy of the Bank's judgments and estimates about financial and accounting matters will impact operating results and financial condition.***

The Bank makes certain estimates and judgments in preparing its financial statements. The quality and accuracy of those estimates and judgments will have an impact on the Bank's operating results and financial condition. Three items that are subject to material estimates and judgments include the consideration of other than temporary impairment of investment securities, the recorded goodwill asset of \$4,119,000 and the allowance for loan losses of \$6,029,000 as of December 31, 2018. Although management supports its estimates and judgments by employing third party reviews there are no assurances that regulatory reviews may result in a different conclusion or future events may occur that impact the recorded values resulting in material fluctuations of financial results.

***The Bank's failure to successfully execute its strategy could adversely affect its performance.***

Along with the other factors listed herein, the Bank's financial performance and profitability depends on its ability to execute its corporate growth strategy. Continued growth may present operating and other problems that could adversely affect its business, financial condition and results of operations. Accordingly, there can be no assurance that the Bank will be able to execute its growth strategy or maintain the level of profitability that it has recently experienced.

***Changes in tax laws could have an adverse effect on the Bank, its industry, its customers, the value of collateral securing its loans and demand for the Bank's loans.***

Federal tax reform legislation enacted by Congress in December 2017 contains a number of provisions that could have an impact on the banking industry, borrowers and the market for single family residential and multifamily residential real estate. Among the changes are: a lower cap on the amount of mortgage interest that a borrower may deduct on single-family residential mortgages; the lower mortgage interest cap will be spread among all of the borrower's residential mortgages, which may result in elimination or lowering of the mortgage interest deduction on a second home; limitations on deductibility of business interest expense; limitations on the deductibility of state and local income and property taxes. Such changes could have an adverse effect on the market for and valuation of single-family residential properties and multifamily residential properties, and on the demand for such loans in the future. If home ownership or multifamily residential property ownership becomes less attractive, demand for the Bank's loans would decrease. The value of the properties securing loans in the Bank's portfolio may be adversely impacted as a result of the changing economics of home ownership and multifamily residential ownership, which could require an increase in its provision for loan losses, which would reduce its profitability and could materially adversely affect its business, financial condition and results of operations.

***The Bank is dependent on its management team and key employees, and if the Bank is not able to retain them, its business operations could be materially adversely affected.***

The Bank's success depends, in large part, on its management team and key employees. The Bank's management team has significant industry experience. The Bank's future success also depends on its continuing ability to attract, develop, motivate and retain key employees. Qualified individuals are in high demand, and the Bank may incur significant costs to attract and retain them. Because the market for qualified individuals is highly competitive, the Bank may not be able to attract and retain qualified officers or candidates. The loss of any of the Bank's management team or key employees could materially adversely affect its ability to execute its business strategy, and the Bank may not be able to find adequate replacements on a timely basis, or at all. The Bank cannot ensure that it will be able to retain the services of any members of its management team or other key employees. Though the Bank has change-in-control agreements in place with certain members of its management team they may still elect to leave at any time. Failure to attract and retain a qualified management team and qualified key employees could have a material adverse effect on the Bank's business, financial condition and results of operations.

***The Bank's operations could be interrupted if its third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.***

The Bank depends to a significant extent on a number of relationships with third-party service providers. Specifically, the Bank receives core systems processing, essential web hosting and other internet systems, deposit processing and other processing services from third-party service providers. If these third-party service providers experience difficulties or terminate their services and the Bank is unable to replace them with other service providers, the Bank's operations could be interrupted.

If an interruption were to continue for a significant period of time, the Bank's business, financial condition and results of operations could be adversely affected, perhaps materially. Even if the Bank is able to replace them, it may be at a higher cost, which could adversely affect the Bank's business, financial condition and results of operations.

***The Bank has a continuing need for technological change, and it may not have the resources to effectively implement new technology or it may experience operational challenges when implementing new technology.***

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. The Bank's future success will depend in part upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in the Bank's operations as it continues to grow and expand its market area. The Bank may experience operational challenges as it implements these new technology enhancements, or seeks to implement them across all of its offices and business units, which could result in the Bank not fully realizing the anticipated benefits from such new technology or require the Bank to incur significant costs to remedy any such challenges in a timely manner.

Many of the Bank's larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products to those that the Bank will be able to offer, which would put the Bank at a competitive disadvantage. Accordingly, a risk exists that the Bank will not be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to its customers.

***The Bank's information systems may experience an interruption or breach in security.***

The Bank relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Bank's customer relationship management and systems. There can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately corrected by the Bank. The occurrence of any such failures, interruptions or security breaches could damage the Bank's reputation, result in a loss of customer business, subject the Bank to additional regulatory scrutiny, or expose the Bank to litigation and possible financial liability, any of which could have a material adverse effect on the Bank's financial condition and results of operations.

***The Bank may be adversely affected by disruptions to its network and computer systems or to those of its service providers as a result of denial-of-service or other cyber-attacks.***

The Bank may experience disruptions or failures in its computer systems and network infrastructure or in those of its service providers as a result of denial-of-service or other cyber-attacks in the future. The Bank has have developed and continues to invest in, systems and processes that are designed to detect and prevent security breaches and cyber-attacks. Due to the increasing sophistication of such attacks, the Bank may not be able to prevent denial-of-service or other cyber-attacks that could compromise its normal business operations, compromise the normal business operations of its customers, or result in the unauthorized use of customers' confidential and proprietary information. The occurrence of any failure, interruption or security breach of network and computer systems resulting from denial-of-service or other cyber-attacks could damage the Bank's reputation, result in a loss of customer business, subject the Bank to additional regulatory scrutiny, or expose the Bank to civil litigation and possible financial liability, any of which could adversely affect the Bank's business, results of operations or financial condition.

***The Bank's controls and procedures may fail or be circumvented.***

Management regularly reviews and updates the Bank's internal control over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls and procedures, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Bank's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Bank's business, results of operations and financial condition.

## **Regulatory Risks**

***The Bank's business is subject to extensive government regulation and legislation.***

The Bank is subject to extensive state and federal regulation, supervision and legislation, and the laws that govern the Bank and its operations are subject to change from time to time. Applicable laws and regulations provide for the regular examination and supervision of institutions; affect the cost of funds through reserve requirements and assessments on deposits; limit or prohibit the payment of interest on demand deposits; limit the kinds of investments a bank can make and the kinds of activities in which it can engage; and grant the regulatory agencies broad enforcement authority in case of violations. The laws and regulations increase the cost of doing business and have an adverse impact on the ability of the Bank to compete efficiently with other financial services providers that are not similarly regulated. There can be no assurance that future regulation or legislation will not impose additional requirements and restrictions on the Bank in a manner that will adversely affect its results of operations, financial condition and prospects.

***Changes in laws and regulations and the cost of compliance with new laws and regulations may adversely affect the Bank's operations and its income.***

The Bank is subject to extensive regulation, supervision and examination by the CDBO and the FDIC.

These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank's operations, reclassify assets, determine the adequacy of a bank's allowance for loan losses and determine the level of deposit insurance premiums assessed. Because the Bank's business is highly regulated, the laws and applicable regulations are subject to frequent change. Any change in these regulations and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material impact on the Bank's operations.

The potential exists for additional federal or state laws and regulations, or changes in policy, affecting lending and funding practices and liquidity standards. Moreover, bank regulatory agencies have been active in responding to concerns and trends identified in examinations, and have issued many formal enforcement orders requiring capital ratios in excess of regulatory requirements. Bank regulatory agencies, such as the FDIC, CDBO, Federal Reserve Board and Consumer Financial Protection Bureau, directly or indirectly govern the activities in which the Bank may engage, primarily for the protection of depositors and consumers, and not for the protection or benefit of potential investors.

In addition, new laws and regulations may increase the Bank's costs of regulatory compliance and of doing business, and otherwise affect its operations. New laws and regulations may significantly affect the markets in which the Bank does business, the markets for and value of its loans and investments, the fees it can charge and its ongoing operations, costs and profitability.

***The Bank faces a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.***

The Bank Secrecy Act of 1970, the Uniting and Strengthening America by Providing Appropriate Tools to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, or Patriot Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and to file reports such as suspicious activity reports and currency transaction reports. The Bank is required to comply with these and other anti-money laundering requirements. The Bank's federal and state banking regulators, the Financial Crimes Enforcement Network, or FinCEN, and other government agencies are authorized to impose significant civil money penalties for violations of anti-money laundering requirements. The Bank is also subject to increased scrutiny of compliance with the regulations issued and enforced by the Office of Foreign Assets Control. If the Bank's compliant program is deemed deficient, it could be subject to liability, including fines, civil money penalties and other regulatory actions, which may include restrictions on the Bank's business operations, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have significant reputational consequences for the Bank. Any of these circumstances could have a material adverse effect on the Bank's business, financial condition or results of operations.

## **Competitive Risks**

***The Bank's business is highly competitive.***

In California generally, and in the Bank's service area specifically, major banks and regional banks dominate the commercial banking market. By virtue of their larger capital bases, such institutions have

substantially greater financial, marketing and operational resources than the Bank and offer diversified services that might not be directly offered by the Bank. The Bank competes with these larger commercial banks and other financial institutions, such as savings and loan associations and credit unions, which offer services traditionally offered only by banks. In addition, the Bank competes with other institutions such as money market funds, brokerage firms, commercial finance companies, leasing companies, and even retail stores seeking to penetrate the financial services market. No assurance can be given, however, that the Bank's efforts to compete with other banks and financial institutions will continue to be successful. In addition, the costs of providing a high level of personal service could adversely affect the Bank's operating results.

***The Bank depends on loan originations to grow its business.***

The Bank's success depends on, among other things, its ability to originate loans. Real estate valuations in the Bank's market area have escalated in recent years and may not be sustained. The Bank's competitors may offer better terms or better service, or respond to changing capital and other regulatory requirements better than the Bank is able to do. Some of the Bank's competitors make loans on terms that the Bank is not willing to match. Success in competing for loans depends on such factors as:

- Quality of service to borrowers, especially the time it takes to process loans;
- Economic factors, such as interest rates;
- Terms of the loans offered, such as rate adjustment provisions, adjustment caps, loan maturities, loan-to-value ratios and loan fees; and
- Size of the loan.

## Exhibit 99.1

### FOR IMMEDIATE RELEASE

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### **Summit State Bank Completes Private Placement of \$6 Million of Subordinated Debt.**

Santa Rosa, CA – (July 2, 2019) – Summit State Bank (“Summit State” or the “Bank”) (NASDAQ: SSBI) announced today that it has completed the private placement of \$6 million in fixed-to-floating rate subordinated notes due June 30, 2029 (the “Notes”) to institutional accredited investors. Summit State intends to use the net proceeds from this placement to support organic growth and for general corporate purposes.

“We’re pleased to close this important transaction,” stated Jim Brush, President & CEO, “which will provide the Bank with additional capital to help fund our future growth.”

The Notes have been structured to qualify as Tier 2 capital for Summit State for regulatory purposes and will bear interest at a fixed rate of 6.0% per annum until June 30, 2024. For the remainder of the term, the subordinated notes, which mature on June 30, 2029, will bear interest at a rate equal to 3-month Libor plus 362 basis points. The subordinated notes are redeemable by the Bank at its option, in whole or in part, on or after June 30, 2024, or in whole but not in part under certain other circumstances.

Raymond James & Associates, Inc. served as the sole placement agent for the offering. Sheppard, Mullin, Richter & Hampton LLP served as legal counsel to the Bank and Holland & Knight LLP served as legal counsel to the placement agent.

### **About Summit State Bank**

Summit State Bank, a local community bank, has total assets of \$626 million and total equity of \$63 million at March 31, 2019. Headquartered in Sonoma County, California, Summit State Bank specializes in providing exceptional customer service and customized financial solutions to aid in the success of local small businesses and nonprofits throughout Sonoma County.

Summit State Bank is committed to embracing the diverse backgrounds, cultures and talents of its employees to create high performance and support the evolving needs of its customers and community it serves. At the center of diversity is inclusion, collaboration, and a shared vision for delivering superior service and results for shareholders. Presently, 82% of management are women and minorities with 60% represented on the Executive Management Team. Through the engagement of its team, Summit State Bank has received many esteemed awards including: Best Business Bank, Corporate Philanthropy Award and Best Places to Work in the North Bay. Summit State Bank’s stock is traded on the Nasdaq Global Market under the symbol SSBI. Further information can be found at [www.summitstatebank.com](http://www.summitstatebank.com).

### **Forward-looking Statements**

Except for historical information contained herein, the statements contained in this news release, are forward-looking statements within the meaning of the “safe harbor” provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. This release may contain forward-looking statements that are subject to risks and uncertainties. Such risks and uncertainties may include but are not necessarily limited to fluctuations in interest rates, inflation, government regulations and general economic conditions, and competition within the business areas in which the Bank will be conducting its operations, including the real estate market in California and other factors beyond the Bank’s control. Such risks and uncertainties could cause results for subsequent interim periods or for the entire year to differ materially from those indicated. You should not place undue reliance on the forward-looking statements, which reflect management’s view only as of the date hereof. The Bank undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

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