
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): April 12, 2016

Summit State Bank

(Exact name of registrant as specified in its charter)

<u>California</u> (State or other jurisdiction of incorporation)	<u>32203</u> (FDIC Insurance Certificate No.)	<u>94-2878925</u> (IRS Employer Identification Number)
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500 Bicentennial Way <u>Santa Rosa, California</u> (Address of principal executive offices)	<u>95403</u> (Zip Code)
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(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))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(a) Mark J. DeMeo, M.D. resigned as a Director of Summit State Bank effective April 19, 2016. He was a member of the Board's Loan Committee, Audit Committee, Asset Liability and Investment Committee, and Compensation Committee. In a letter, Mark DeMeo stated the reasons for his resignation as (1) too much East Coast control over the Bank; (2) the non-resident director costs for travel, room and board, first class flights and limousine rentals are excessive; (3) too many board members having no or few shares in the Bank; (4) excessive number of board meetings generating unneeded costs for shareholders; and (5) did not agree with accepting Thomas Duryea's resignation as CEO in view of the Bank's exceptional performance.

(b) Thomas Duryea resigned as President, Chief Executive Officer and Director of the Bank effective April 18, 2016.

In connection with Mr. Duryea's resignation, Mr. Duryea and the Company entered into a separation agreement (the "Severance Agreement") effective April 18, 2016. The Severance Agreement provides, among other things, that in exchange for Mr. Duryea's release of all claims arising out of or relating to Mr. Duryea's employment with the Company and Mr. Duryea's resignation therefrom, Mr. Duryea will receive the following benefits: (i) a severance payment equal to Mr. Duryea's base salary for one year or \$285,000; (ii) a prorated bonus of \$20,000 payable in early 2017 when other executive bonuses would ordinarily be paid; (iii) payment of Mr. Duryea's COBRA premium, estimated at \$1,830 per month, on the same terms and conditions as before his resignation for the lesser of (a) one year from the resignation date or (b) the date on which Mr. Duryea becomes eligible for health insurance at the expense of another employer; and (iv) a one-year extension of his Change in Control Agreement but only as to payment in case of a change in control equal to (i) 1.5 times his annual salary and (ii) either \$86,000 (1.5 times his 2015 bonus, rounded up) if a change in control occurs in 2016 or \$30,000 (1.5 times his 2016 bonus, rounded up) if the change in control occurs after the end of 2016, but such amounts will be reduced by the aggregate of payments made under the Severance Agreement.

In accordance with federal law, Mr. Duryea is entitled to revoke his acceptance of the Severance Agreement within seven days of its execution. If he revokes his acceptance, the Severance Agreement will be of no further force or effect and Mr. Duryea will not be entitled to the benefits described above. The Severance Agreement also provides that Mr. Duryea agrees not to disparage the Bank or its officers or directors and agrees not to solicit Bank employees to leave the Bank for 18 months after the Effective Date or use any of the Bank's confidential information to solicit the Bank's customers on behalf of another employer.

(c) James E. Brush, age 63, was appointed as President and Chief Executive Officer at Summit State Bank on April 19, 2016. Mr. Brush has been a Director of Summit State Bank since 2013 and the Chair of the Board's Loan Committee. He has been a resident of Sonoma County for over 30 years and has been a Certified Public Accountant and business consultant in the county. He will be employed at will without a contract and base salary is to be

determined. He will be eligible for bonus compensation on the same basis as other executive officers.

(e) On April 12, 2016, the Board of Directors revised its cash incentive bonus plan for selected executive officers and other employees. The plan is administered by the Compensation Committee. The plan may be terminated or modified by the Board at any time. Any officer or employee designated by the Compensation Committee is eligible to receive a payment under the plan.

Participating executive officers and employees are eligible for annual awards under the plan based on bank performance. Plan awards are determined based on bank performance at one of three levels: minimum, threshold, and maximum. The number of performance goals may vary each year, but there are six goals for 2016. The precise performance goal categories also may vary each year, but for 2016 the six specific performance goal categories and the weights assigned to them are:

- 1) return on equity, 15%,
- 2) return on assets, 20%,
- 3) net loan growth, 15%
- 4) efficiency ratio, 15%
- 5) core deposit growth, 20%
- 6) classified asset coverage ratio, 15%

The executives selected for participation in 2016 are the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, and the Chief Credit Officer. The Board of Directors may change any and all features of the plan at any time.

The total potential award pool is a fixed dollar amount established by the Board, with the recommendation of the Compensation Committee. For 2016 the maximum potential incentive bonus for each participating executive is one half of his or her base salary, the bonus pool for threshold performance is \$250,000, and for performance below threshold cash incentives are entirely within the discretion of the Board, which may allocate among participating executives a total cash incentive pool of up to \$100,000, but only if earnings for the year exceed that amount.

The Board has established performance benchmarks for minimum, threshold and maximum performance. It is not necessary to achieve threshold performance or better in all performance categories in order to receive a cash incentive award. With the input of the Compensation Committee, the Board of Directors also has discretion to make cash incentive awards based on the Board's subjective assessment of an executive's or other employee's performance.

For purposes of calculating bonuses and evaluating actual performance in the performance goal categories, the Compensation Committee has discretion to make adjustments to exclude any single, nonrecurring that results in either a 10% increase or 10% decrease in the calculated performance, as well as the discretion to make adjustments to account for significant or material events.

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.

SIGNATURE

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: April 22, 2016

SUMMIT STATE BANK

By: /s/ Dennis E. Kelley
Dennis Kelley
*Executive Vice President
and Chief Financial Officer
(Duly Authorized Officer)*

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
99.1	Mark DeMeo, M.D. letter regarding his resignation as Director dated April 21, 2016
99.2	Press release of Summit State Bank dated April 19, 2016 announcing resignation of Thomas Duryea as President, Chief Executive Officer and Director and appointment of James Brush as President and Chief Executive Officer of Summit State Bank.
99.3	Cash Incentive Bonus Plan

Exhibit 99.1 Mark DeMeo, M.D. letter regarding his resignation as Director dated April 21,
2016

April 21, 2016

Reasons for resignation from Summit State Bank For 8K
filing

1. Too much East coast control over Summit State Bank.
2. The Director costs for travel, room and board, first class flights and limousine rentals is excessive.
3. Too many board members having no or few shares in the bank.
4. Excessive number of board meetings generating unneeded costs for shareholders.
5. Did not agree with accepting the former CEO's resignation in view of Summit State Bank's exceptional performance.

/s/ Mark J. DeMeo

Tom Duryea Concludes 8 Years as CEO at Summit State Bank

SANTA ROSA, CA – (April 19, 2016) – Crossing the finish line with eight years of leadership as Summit State Bank (Nasdaq: SSBI) President and CEO, Thomas Duryea announced his resignation today.

Transformation of a Former Savings and Loan to a Leading Community Bank

“I’d like to thank the Board of Directors for entrusting me with setting the vision, the culture, defining a new business model and retaining the top flight banking team to create what has become the leading community bank in Sonoma County.” stated Tom Duryea.

Results of Operations By the Numbers

At the start of Tom’s role as CEO, he brought with him the knowledge that the Bank’s underlying loan portfolio was strongly positioned, as he had been promoted from Chief Credit Officer at the Bank to lead the team to new levels of success.

The numbers tell the story. The market capitalization at February 29, 2008, when Tom was appointed President and CEO, was \$38,000,000 and increased in value to today’s market capitalization of \$64,000,000 providing shareholders with a 67% increase in per share value along with consistent dividends over the same period. Over the past five years the stock price has increased by nearly 100%, which is approximately double the community banking industry index fund (QABA).

In 2015, the profitability (ROA) performance of the bank ranked fourth out of the 22 publicly traded community banks in the San Francisco Bay Area. Over the past five years, the Bank’s net income achieved successive net income increases.

Core Values and Profit Sharing

In 2009, Tom and his banking team designed the Non Profit Donation Program, a model that enables a portion of profit to be shared with now over 150 organizations in Sonoma County. Non Profits that are customers of the bank received \$258,000 in donations back to their organizations in 2016, with more than \$800,000 since inception.

Relationships and Commitment to Community

“I would like to thank the Board for their years of support, our customers for the opportunity to serve them, and, most important, the tremendous Summit team. I cannot say enough of how strong they are. As I like to say, “they do all the work, and I have been very fortunate to be their leader.” “I, of course, will offer any assistance to Summit should it be needed during this transition, and I will continue to be active in strengthening our local Sonoma County community for all members,” said Thomas Duryea.

“On behalf of the Board of Directors at Summit State Bank, I would like to offer my sincere thank you to Tom Duryea for his years of service and for his leadership in enhancing the bank to its strong position of today,” said Allan Hemphill, Board Chairman.

The Board has appointed James Brush as the new President and Chief Executive Officer. Mr. Brush has been a member of the Board and has chaired the Board’s loan committee. He is a Certified Public Accountant and longtime resident of Sonoma County.

About Summit State Bank

Recently nominated as Community Bank of the Year (April 2016) by Western Independent Bankers Association, Summit State Bank, a local community bank, has total assets of \$513 million and total equity of \$57 million at December 31, 2015. Headquartered in Sonoma County, the Bank specializes in providing exceptional customer service and customized financial solutions to aid in the success of local small businesses and nonprofits throughout Sonoma, Napa, San Francisco, and Marin Counties.

Summit State Bank’s workforce resembles the diverse community it serves. Presently, 80% of management are women and minorities with 50% represented on the Executive Management Team. Through the inclusion and engagement of its workforce, Summit State Bank has earned many prestigious awards including: Best Company to do Business with in Sonoma County by the Northbay Biz magazine; Best Places to Work in the North Bay by the North Bay Business Journal; Super Performing Bank by Findley Reports; and Top 75 Corporate Philanthropists in the San Francisco Bay Area by the San Francisco Business Times. 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.

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.

**Summit State Bank
Cash Incentive Bonus Plan**

Summit State Bank has a cash incentive bonus plan for selected executive officers and other employees. The plan is administered by the Compensation Committee. The plan may be terminated or modified by the Board at any time. The plan does not allow for payment of awards in any form other than cash. Any officer or employee designated by the Compensation Committee is eligible to receive a payment under the plan. Cash payments under the plan are made in the first quarter of the year if the established goals for the preceding year are achieved.

Participating executive officers and employees are eligible for annual awards under the plan based on bank performance. Plan awards are determined based on bank performance at one of three levels: minimum, threshold, and maximum. The number of performance goals may vary each year, but there are six goals for 2016. The precise performance goal categories also may vary each year, but for 2016 the six specific performance goal categories and the weights assigned to them are:

- 1) return on equity (15% weight, or 0% for performance below threshold),
 - 2) return on assets (20% weight, or 0% for performance below threshold),
 - 3) net loan growth (15% weight, or 0% for performance below threshold),
 - 4) efficiency ratio (15% weight, or 0% for performance below threshold),
 - 5) core deposit growth (20% weight, or 0% for performance below threshold),
- and
- 6) classified asset coverage ratio (15% weight, or 0% for performance below threshold).

The executives selected for participation in 2016 are the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, and the Chief Credit Officer. Although the Board of Directors may change any and all features of the plan at any time, the potential bonus amounts and bank performance goals for 2016 are as follows.

Calculating the aggregate bonus shared by all participating executives. The total potential award pool is a fixed dollar amount established by the Board, with the recommendation of the Compensation Committee. For 2016 the maximum potential incentive bonus for each participating executive is one half of his or her base salary, the bonus pool for threshold performance is \$250,000, and for performance below threshold cash incentives are entirely within the discretion of the board, which may allocate among participating executives a total cash incentive pool of up to \$100,000, but only if earnings for the year exceed that amount. The allocation of cash incentive bonuses to participating executives is as follows:

- 1) **maximum or better in every performance category:** performance at the level of maximum or better in every performance category corresponds for each participating executive with receiving a cash incentive award equal to one half of salary,

2) **exactly threshold in every performance category:** performance at exactly the threshold level in every performance category corresponds for each participating executive with receiving a cash incentive award equal to a percentage of a total bonus pool of \$250,000; the percentage for each participating executive is his or her base salary divided by the aggregate base salaries of all participating executives, for example \$50,000 in the case of an executive whose salary is 20% of the total salary of all participating executives; in other words, the participating executive's percentage of the \$250,000 threshold bonus pool is his or her percentage of the salary pool,

3) **less than threshold in every performance category:** the cash incentive bonus pool is zero if performance is below threshold in every performance category, but if earnings are \$100,000 or greater the board in its discretion may allocate among participating executives a total bonus pool of up to \$100,000; bonuses in this case are entirely discretionary on the board's part,

4) **other:** there might be performance below threshold in one or more performance categories but performance at threshold or better in others, performance at or above maximum in some categories but performance below maximum in others, or performance between threshold and maximum in every category. In these cases the cash incentive bonus is the sum for each of the six performance categories of (1) the relevant weight for the category (which may be zero), (2) multiplied by the percentage achievement between threshold versus maximum performance for the category (maximum 100%), (3) multiplied by the participating executive's salary-based percentage of the \$250,000 threshold bonus pool and the difference between the maximum bonus (50% of salary) and the executive's salary-based percentage of the \$250,000 threshold bonus pool. To illustrate, if performance is below threshold in every category except loan growth, but performance in the loan growth category is exactly the midpoint between threshold and maximum, the participating executive whose \$200,000 salary is 20% of the aggregate salaries of all participating executives would be entitled to a bonus equal to the 15% weight, multiplied by 50% achievement over threshold, multiplied by \$100,000 (which is the sum of two things: (1) 20% of the \$250,000 threshold bonus pool and (2) the difference between half of salary and 20% of the \$250,000 threshold bonus pool). The executive's bonus is \$7,500.

Bank performance goals for 2016. The performance goals in each of the six performance categories for 2016 are given in the following table. Awards can be made if any of the goals are achieved at the level of threshold or better. It is not necessary to achieve threshold performance or better in all performance categories in order to receive a cash incentive award. With the input of the Compensation Committee, the Board of Directors also has discretion to make cash incentive awards based on the board's subjective assessment of an executive's or other employee's performance.

	weight (0% for performance below threshold)	minimum	threshold	maximum
return on average equity	15.00%	9.00%	10.00%	11.00%
return on average assets	20.00%	0.75%	1.00%	1.15%
net loan growth	15.00%	8.00%	10.00%	12.00%
efficiency ratio *	15.00%	65.00%	58.00%	56.00%
core deposit growth	20.00%	10.00%	12.00%	14.00%
classified asset ratio *	15.00%	30.00%	25.00%	20.00%

* in contrast to the other performance goals, maximum performance in the case of the efficiency ratio goal and the classified asset ratio goal signifies a percentage equal to or less than the maximum percentage figure in the table

For purposes of calculating bonuses and evaluating actual performance in the performance goal categories, the Compensation Committee has discretion to make adjustments to exclude any single, nonrecurring that results in either a 10% increase or 10% decrease in the calculated performance, as well as the discretion to make adjustments to account for significant or material events.

Summit State Bank defines the efficiency ratio as noninterest expense divided by revenue, with revenue consisting of interest income and noninterest income. Summit State Bank defines core deposits as demand deposit accounts, savings accounts, and money market accounts. The classified asset ratio is the sum of assets classified substandard, doubtful, or loss and OREO, divided by the sum of Tier 1 capital and the allowance for loan and lease losses.