

Redwood Capital Bancorp
402 G Street
Eureka, California 95501

Notice of Annual Meeting of Shareholders

May 15, 2019

**To the Shareholders of
Redwood Capital Bancorp:**

NOTICE IS HEREBY GIVEN that, pursuant to the call of its Board of Directors, the Annual Meeting of Shareholders of Redwood Capital Bancorp will be held at the Sequoia Conference Center located at 901 Myrtle Avenue, Eureka, California, on Wednesday, May 15, 2019 at 6:00 p.m., for the purpose of considering and voting upon the following matters:

1. **Election of Directors.** To elect nine (9) persons to the Board of Directors to serve until the 2020 Annual Meeting of Shareholders and until their successors are elected and have been qualified. The persons nominated to serve as directors are:

Russell N. Britt
John E. Dalby
John J. Gierek, Jr.
James William McAuley
W. Timothy Needham

K. Jeff Nelson
Michele D. Rieke
James R. Seiler
Steven M. Strombeck

2. **Ratification of Accountants.** To ratify the appointment of Richardson & Company to serve as the Company's independent public accountants for 2019.
3. **Adoption of 2019 Omnibus Plan.** To adopt the Redwood Capital Bancorp 2019 Omnibus Plan.
4. **Other Business.** To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on April 5, 2019 as the record date for determination of shareholders entitled to notice of, and to vote at, the meeting.

Provisions of the Bylaws of the Company govern nominations for election of members of the Board of Directors, as follows:

Nominations for election of members of the board may be made by the board or by any holder of any outstanding class of capital stock of the corporation entitled to vote for the election of directors. Notice of intention to make any nominations (other than for persons named in the notice of the meeting called for the election of directors) shall be made in writing and shall be delivered or mailed to the President

of the corporation by the later of: (i) the close of business twenty-one (21) days prior to any meeting of shareholders called for the election of directors; or (ii) ten (10) days after the date of mailing of notice of the meeting to shareholders. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; (e) the number of shares of capital stock of the corporation owned by the notifying shareholder; (f) the number of shares of capital stock of any bank, bank holding company, savings and loan association or other depository institution owned beneficially by the nominee or by the notifying shareholder and the identities and locations of any such institutions; and (g) whether the proposed nominee has ever been convicted of or pleaded nolo contendere to any criminal offense involving dishonesty or breach of trust, filed a petition in bankruptcy or been adjudged bankrupt. The notification shall be signed by the nominating shareholder and by each nominee, and shall be accompanied by a written consent to be named as a nominee for election as a director from each proposed nominee. Nominations not made in accordance with these procedures shall be disregarded by the chairperson of the meeting, and upon his or her instructions, the inspectors of election shall disregard all votes cast for each such nominee. The foregoing requirements do not apply to the nomination of a person to replace a proposed nominee who has become unable to serve as a director between the last day for giving notice in accordance with this paragraph and the date of election of directors if the procedure called for in this paragraph was followed with respect to the nomination of the proposed nominee.

BY ORDER OF THE BOARD OF DIRECTORS



John E. Dalby, President & CEO

April 15, 2019

We urge you to vote in favor of management's proposal by signing and returning the enclosed proxy as promptly as possible, whether or not you plan to attend the meeting in person. The enclosed proxy is solicited by the Company's Board of Directors. Any shareholder giving a proxy may revoke it prior to the time it is voted by filing with the secretary of the Company an instrument revoking it or a duly executed proxy bearing a later date, or by attending the meeting and voting in person. Please indicate on the proxy whether or not you expect to attend the meeting so that we can arrange for adequate accommodations.

**Redwood Capital Bancorp
Proxy Statement
Annual Meeting of Shareholders**

May 15, 2019

Introduction

This proxy statement is furnished in connection with the solicitation of proxies for use at the 2019 Annual Meeting of Shareholders of Redwood Capital Bancorp (the “Company”) to be held at the Sequoia Conference Center located at 901 Myrtle Avenue, Eureka, California, on Wednesday, May 15, 2019 at 6:00 p.m., and at any and all adjournments thereof.

It is expected that this proxy statement and the accompanying notice and form of proxy will be mailed on or about April 15, 2019 to shareholders eligible to receive notice of and vote at the meeting.

General Information

Voting By Proxy. Whether or not you plan to attend the annual meeting, you may submit a proxy to vote your shares via Internet, telephone or mail as more fully described below:

- By Internet: Go to www.investorvote.com/RWCB and follow the instructions. You will need information from your proxy card or electronic delivery notice to submit your proxy.
- By Telephone: Call **1-800-652-VOTE (8683)** and follow the voice prompts. You will need information from your proxy card or electronic delivery notice to submit your proxy.
- By Mail: Mark your vote, sign your name exactly as it appears on your proxy card, date your proxy card and return it in the envelope provided.

If a bank, broker or other nominee holds your shares, you will receive voting instructions directly from the holder of record. All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card or as instructed via Internet or telephone. If you properly submit a proxy without giving specific voting instructions, your shares will be voted in accordance with the Board of Directors’ recommendations “FOR”:

- Proposal 1: Election of nine (9) persons named in this Proxy Statement to the Board of Directors of the Company to serve until the 2020 Annual Meeting of Shareholders and until their successors are elected and have been qualified;
- Proposal 2: Ratification of the appointment of Richardson & Company as the Company’s independent public accountants for 2019; and
- Proposal 3: Adoption of the Redwood Capital Bancorp 2019 Omnibus Plan.

If other matters properly come before the annual meeting, the persons appointed to vote the proxies will vote on such matters in accordance with their best judgment. Such persons also have discretionary authority to vote to adjourn the annual meeting, including for the purpose of soliciting proxies to vote in accordance with the recommendations of the Company's Board of Directors.

Revocability of Proxies

You may revoke your proxy at any time before it is exercised by:

- delivering a written notice of revocation to the Corporate Secretary;
- executing a later dated proxy and mailing it to the Company;
- casting a new vote by telephone or Internet; or
- voting in person at the annual meeting, if you are the holder of record shareholder.

If you are a street name shareholder and you voted by proxy, you may revoke your proxy by informing the holder of record in accordance with that entity's procedures.

Persons Making the Solicitation

This solicitation of proxies is being made by the Board of Directors of the Company. The expense of preparing, assembling, printing and mailing this proxy statement and the materials used in the solicitation of proxies for the meeting will be borne by the Company. It is contemplated that proxies will be solicited principally through the use of the mail, but directors, officers and employees of the Company may solicit proxies personally or by telephone, without receiving special compensation therefore.

Voting Securities

There were issued and outstanding 1,945,337 shares of the Company's common stock on April 5, 2019, which has been fixed as the record date for the purpose of determining shareholders entitled to notice of, and to vote at, the meeting. On any matter submitted to the vote of the shareholders, each holder of the Company's common stock will be entitled to one vote, in person or by proxy, for each share of common stock he or she held of record on the books of the Company as of the record date.

In connection with the election of directors, shares may be voted cumulatively if a shareholder present at the meeting gives notice at the meeting, prior to the voting for election of directors, of his or her intention to vote cumulatively. If any shareholder of the Company gives such notice, then all shareholders eligible to vote will be entitled to cumulate their shares in voting for election of directors. Cumulative voting allows a shareholder to cast a number of votes equal to the number of shares held in his or her name as of the record date, multiplied by the number of directors to be elected. These votes may be cast for any one nominee or may be distributed among as many nominees as the shareholder sees fit. If cumulative voting is declared at the meeting, votes represented by proxies delivered pursuant to this proxy statement may be cumulated in the discretion of the proxy holders, in accordance with management's recommendation.

Shareholdings of Certain Beneficial Owners and Management

Management of the Company knows of no person who owns, beneficially or of record, either individually or together with associates, 5 percent or more of the outstanding shares of the Company's common stock, except as set forth below. The following table sets forth, as of March 1, 2019, the number and percentage of shares of the Company's outstanding common stock beneficially owned, directly or indirectly, by each of the Company's directors and principal shareholders and by the directors and officers of the Company as a group. The shares "beneficially owned" are determined under Securities and Exchange Commission Rules, and do not necessarily indicate ownership for any other purpose. In general, beneficial ownership includes shares over which the director, principal shareholder or officer has sole or shared voting or investment power and shares which such person has the right to acquire within 60 days of March 1, 2019. Management is not aware of any arrangements which may, at a subsequent date; result in a change of control of the Company.

Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Directors:		
Russell N. Britt	48,572 ¹	2.50%
John E. Dalby	41,132	2.11%
Larry A. DeBeni	54,522 ²	2.80%
John J. Gierak, Jr.	17,872 ³	0.92%
James William McAuley	33,745 ⁴	1.73%
W. Timothy Needham	12,921	0.66%
K. Jeff Nelson	2,071	0.11%
Michele D. Rieke	0	0.00%
James R. Seiler	18,904 ⁵	0.97%
Steven M. Strombeck	23,448 ⁶	1.21%
All Directors and Executive Officers as a Group (12 in all)	263,387	13.49%
Principal Shareholder:		
Siena Capital Partners	172,078 ⁷	8.85%

¹ Mr. Britt has shared voting and investment powers as to 30,000 of these shares.

² Mr. DeBeni has shared voting and investment powers as to 26,200 of these shares.

³ Mr. Gierak has shared voting and investment powers as to 3,750 of these shares.

⁴ Mr. McAuley has shared voting and investment powers as to 14,402 of these shares.

⁵ Mr. Seiler has shared voting and investment powers as to 17,404 of these shares.

⁶ Mr. Strombeck has shared voting and investment powers as to 14,250 of these shares.

⁷ Siena Capital Partners, 100 North Riverside Plaza, Suite 1630, Chicago, IL 60606

**PROPOSAL 1:
ELECTION OF DIRECTORS**

Nominees

The Company's Bylaws provide that the number of directors of the Company shall not be less than eight (8) nor more than fifteen (15) until changed by an amendment to the Bylaws adopted by the Company's shareholders. With respect to the 2019 election of directors, the Board of Directors has fixed the number of directors at nine (9).

The persons named below have been nominated for election as directors to serve until the 2020 Annual Meeting of Shareholders and until their successors are elected and have qualified. Votes will be cast in such a manner as to effect the election of all nine (9) nominees, as appropriate, (or as many thereof as possible under the rules of cumulative voting). The nine nominees for directors receiving the most votes will be elected directors. In the event that any of the nominees should be unable to serve as a director, it is intended that the proxy will be voted for the election of such substitute nominee, if any, as shall be designated by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees named below will be unable to serve if elected. Additional nominations for directors may only be made by complying with the nomination procedures which are included in the Notice of Annual Meeting of Shareholders accompanying this Proxy Statement.

(See table on the following page.)

The following table sets forth, as of March 1, 2019, the names of and certain information concerning the persons nominated by the Board of Directors for election as directors of the Company.

<u>Name and Title Other than Director</u>	<u>Age</u>	<u>Year First Appointed Director</u>	<u>Principal Occupation During the Past Five Years</u>
Russell N. Britt	75	2007	Retired President and CEO of Britt Lumber.
John E. Dalby President and Chief Executive Officer	60	2007	President and Chief Executive Officer of the Company and Redwood Capital Bank.
John J. Gierek, Jr. Chairman of the Board	55	2007	President of Humboldt Moving and Storage and President of Humboldt Truck Repair.
James William McAuley Vice Chairman	58	2007	Partner with Demello, McAuley, McReynolds & Holland, LLP, Certified Public Accountants.
W. Timothy Needham	65	2011	Attorney. Partner in the law firm of Janssen, Malloy, LLP.
K. Jeff Nelson	64	2018	Retired CEO and Principal Engineer of SHN Engineers & Geologists.
Michele D. Rieke	57	2018	Director of Human Resources serving both St. Joseph and Redwood Memorial Hospitals since November 2, 2014. Previously served as the Manager of Human Resources for both St. Joseph and Redwood Memorial Hospitals.
James Ronald Seiler	77	2009	Retired partner with TBS Petroleum, LLC.
Steven M. Strombeck	59	2007	President of Strombeck Construction Inc. and general building contractor.

All nominees will serve if elected at the meeting until the 2020 Annual Meeting of Shareholders and until their successors are elected and have qualified. None of the directors were selected pursuant to any arrangement or understanding other than with the directors and executive officers of the Company acting within their capacities as such. There are no family relationships between any of the directors and executive officers of the Company.

Compensation of Directors

Directors Fees

During 2018, the members of the Board of Directors of the Company received compensation for serving as directors. The Chairman of the Board received an annual retainer of \$19,058, Committee Chairs received an annual retainer of \$16,517, and other Board members received an annual retainer of \$13,976, all of which are paid quarterly in arrears. Additionally, directors received a fee of \$635 for attendance at monthly Board of Directors' meetings. These fees are also paid quarterly in arrears.

Director Equity Compensation

In May 2014, each director received a grant of restricted shares based upon each director's tenure and duties performed. Director McAuley was awarded a total of 7,000 shares, with 1,167 shares vesting immediately, the remainder vesting ratably over 5 years; Directors Britt, DeBeni, Gierek, and Strombeck were each awarded a total of 6,000 shares, with 1,000 shares vesting immediately, the remainder vesting ratably over 5 years; Director Seiler was awarded a total of 5,500 shares, with 916 of those shares vesting immediately, the remainder vesting ratably over 5 years; and Director Needham was awarded a total of 5,300 shares, with 883 vesting immediately, the remainder vesting ratably over 5 years.

The Board recommends that the shareholders vote “FOR” the election of each of the above-named nominees for directors.

Executive Officers

The following table sets forth information concerning executive officers of the Company.

<u>Name</u>	<u>Age</u>	<u>Officer Since</u>	<u>Principal Occupation During the Past Five Years</u>
John E. Dalby	60	2007	President and Chief Executive Officer of the Company and Redwood Capital Bank.
Tammy M. Brown	52	2015	Senior Vice President and Chief Credit Officer of the Company and Redwood Capital Bank since January 21, 2015. Previously served as the Vice President, Credit Review Manager for Umpqua Bank's SBA Division.
Renee L. Byers	46	2018	Senior Vice President and Chief Financial Officer of the Company and Redwood Capital Bank since September 1, 2018. Vice President and Interim Chief Financial Officer of the Company and Redwood Capital Bank since March 21, 2018. Previously served as Vice President and Controller for Redwood Capital Bank.

Jennifer P. Budwig 52 2013 Senior Vice President and Chief Lending
Officer of the Company and Redwood Capital
Bank.

None of the executive officers was selected pursuant to any arrangement or understanding other than with the directors and executive officers of the Company acting within their capacities as such.

**PROPOSAL 2:
RATIFICATION OF APPOINTMENT OF RICHARDSON & COMPANY AS THE
COMPANY'S INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The firm of Richardson & Company, Sacramento, California, served as independent certified public accountants for the Company for the year 2018 and audited the Company's financial statements for the year ended December 31, 2018. The Company has selected Richardson & Company to serve as the Company's independent certified public accountants for the year 2019. All services rendered by Richardson & Company were approved by the Company's Board of Directors, which has determined the firm of Richardson & Company to be fully independent of the operations of the Company.

In the event shareholders do not ratify the appointment of Richardson & Company as the Company's independent certified public accountants for the forthcoming fiscal year, such appointment will be reconsidered by the Company's Audit Committee and the Board.

Ratification of the appointment of Richardson & Company as the Company's independent certified public accountants for fiscal year 2019 requires the affirmative vote of a majority of the outstanding shares of the Company's common stock represented and voting at the meeting.

The Board recommends that the shareholders vote "FOR" ratification of the appointment of Richardson & Company as the Company's independent certified public accountants for 2019.

**PROPOSAL 3:
ADOPTION OF REDWOOD CAPITAL BANCORP
2019 OMNIBUS PLAN**

Purpose

The purpose of the 2019 Omnibus Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to directors and employees of the Company and its subsidiaries, and to promote the overall success of the Company's business.

The 2019 Omnibus Plan provides long-term incentives ("Awards") in the form of incentive and nonqualified stock options, stock appreciation rights, restricted stock awards and restricted stock units. The 2019 Omnibus Plan is for a term of 10 years. The Company adopted the 2014 Restricted Stock Award Plan on May 14, 2014 which shall terminate at the close of business on May 14, 2019. Therefore, unless the 2019 Omnibus Plan is approved, the Company will not have an equity plan available under which it can issue stock options, restricted stock or stock appreciation rights to its directors and key employees. A copy of the 2019 Omnibus Plan is attached to this proxy statement as Exhibit A.

Administration

The 2019 Omnibus Plan is administered by the Board of Directors through the Compensation Committee which is appointed by the Board (the “Committee”). The Committee recommends to the Board of Directors key executives who shall receive Awards, the form of those Awards, the number of shares or dollar targets of the Awards and all terms and conditions of the Awards. The Board of Directors then determines who shall receive the Awards. The Committee also certifies the level of attainment of performance targets, as applicable.

Eligibility; Forms of Awards

Awards may be granted only to present or future directors and key employees (including officers) of the Company. The Committee recommends to the Board of Directors Awards to eligible directors and key employees selected by the Committee.

Maximum Stock Award Levels

The maximum number of shares available for all Awards under the 2019 Omnibus Plan is up to 300,000 shares of the Bank’s common stock. No more than 300,000 shares may be issued pursuant to Awards of restricted stock and stock options, and no more than 300,000 shares may be issued pursuant to Awards of incentive stock options; provided, however, that in no event may the total of all the stock appreciation rights, restricted stock awards, restricted stock units, incentive stock options and nonqualified stock options granted under the 2019 Omnibus Plan exceed 300,000.

Qualifying Performance Criteria

Awards of nonqualified stock options, restricted stock and stock appreciation rights may be, in the discretion of the Board of Directors, contingent upon achievement of qualifying performance criteria as set forth in the 2019 Omnibus Plan. The Board of Directors will determine the specific targets for the selected qualifying performance criteria. Following the applicable performance period, the Committee will determine the extent to which the criteria have been achieved and the corresponding level to which vesting requirements have been satisfied and will certify these determinations in writing.

The qualifying performance criteria will be based on one or more of the following measures: net income (before or after taxes); earnings per share; cash flow; share price (including, but not limited to, growth measures and total shareholder return); tangible book value, net interest income; net interest margin; non-interest income; efficiency ratio; total assets; loans; deposits; asset quality including non-performing assets, net charge offs, Texas ratio and classified assets; returns including return on total assets, return on equity, and return on tangible common equity; federal banking regulators safety and soundness ratings; and any of the above measures compared to peer or other companies.

The foregoing measures may be based on the Company as a whole or on a business unit, either individually, or in any combination, as determined by the Board of Directors.

Stock Options and Stock Appreciation Rights

Stock options awarded may be either incentive stock options or nonqualified stock options. Options will expire no later than 10 years after the date of grant. The exercise price of stock options may not be less than the fair market value of common stock on the date of grant. The Board of

Directors may establish other vesting or performance requirements which must be met prior to the exercise of the stock options. Stock appreciation rights may also be granted independent of or in conjunction with (“associated”) with stock options as tandem stock appreciation rights. In the event a tandem stock appreciation right is associated with a stock option, the number of shares exercisable under the stock option shall be reduced by the number of shares exercised with respect to the tandem stock appreciation right.

A stock appreciation right shall be exercisable only within such period as may be determined by the Board of Directors (and in no event after expiration of ten years from the date the stock appreciation right was granted). A stock appreciation right shall be exercisable during the awardee’s lifetime only by the awardee and while the awardee is a key employee or director. In the event the awardee-key employee terminates employment or awardee-director is no longer a director, the stock appreciation right shall terminate, except that if the awardee-key employee dies while an active employee of the Company or dies while being a director of the Company, such awardee’s legal representative may exercise the stock appreciation right within the sooner of one year after the awardee’s death or the termination date of the stock appreciation right. The maximum value of stock appreciation rights that may be granted to any director or employee in a calendar year shall not exceed \$500,000 (measured by the fair market value of the shares of the stock appreciation right on the date of the grant).

Restricted Stock Awards and Restricted Stock Units

The Committee may also recommend to the Board of Directors a grant of restricted stock awards consisting of shares of restricted stock that are subject to conditions and or restrictions including, without limitation, a requirement that participants pay a stipulated purchase price for each share of restricted stock, restrictions based upon the achievement of specific performance goals and compliance with the Interagency Guidance on Sound Incentive Compensation Policies, time-based restrictions on vesting following the attainment of the performance goals, restrictions under applicable federal or state securities laws, and/or restrictions to ensure the Award complies with the performance-based exception. The maximum value of restricted stock Awards that may be granted to any director or key person in a calendar year shall not exceed \$500,000 (measured by the difference between the amount the participant must pay for the shares of restricted stock (if any) and the fair market value of the shares of restricted stock on the date of the grant of the restricted stock award).

During the restriction period, the Board of Directors shall determine whether a participant who holds restricted stock will be entitled to vote the shares and to receive cash dividends, if any are declared.

Adjustments

The number, class and price of Awards are subject to appropriate adjustment in the event of certain changes in the Company common stock, including stock dividends, stock splits, recapitalizations, reorganizations, corporate separation or division, mergers, consolidations, split-ups, combinations or exchanges of shares and similar transactions.

Change in Control

Unless the Board of Directors otherwise expressly provides in the agreement relating to an Award, in the event of a change in control of the Company (as defined in the 2019 Omnibus Plan): (1) all of the participant’s outstanding options and stock appreciation rights will become immediately

fully vested and exercisable; and (2) the restriction period applicable to all outstanding awards of restricted stock will immediately expire and all restrictions imposed under such Awards will immediately lapse.

Amendment of the Plan

The Board of Directors may amend or suspend the 2019 Omnibus Plan at any time and from time to time; provided, however, that the Board of Directors shall submit for shareholder approval any amendment (other than an amendment pursuant to the adjustment provisions described above) required to be submitted for shareholder approval by law, regulation or applicable stock exchange requirements.

General Discussion of Taxation of Awards Under the 2019 Omnibus Plan

The United States federal income tax consequences arising with respect to Awards granted under the 2019 Omnibus Plan will depend on the type of the Award. The following provides only a general description of the application of federal income tax laws to certain Awards under the 2019 Omnibus Plan. This discussion is not intended as tax guidance to participants in the 2019 Omnibus Plan, as the consequences may vary with the types of Awards made, the identity of the participants, and the method of payment or settlement. The summary does not address the effects of other federal taxes (including possible “golden parachute” excise taxes) or taxes imposed under state, local, or foreign tax laws.

Incentive Stock Options. Holders of incentive stock options incur no federal income tax (other than potential alternative minimum tax) on the grant or exercise of such options. When stock received upon exercise of an incentive stock option is sold at a gain, the holder incurs tax at capital gain rates, provided the stock is treated in its hands as a capital asset. The Company will generally not be entitled to a deduction for any amount relating to stock issued under an incentive stock option. The exercise price of incentive stock options may be no less than the fair market value of the common stock of the Company at the time of grant.

Although there is no limit on the aggregate fair market value of stock that can be subject to an incentive stock option, to the extent the fair market value of stock (measured at the date of grant) with respect to which the option becomes exercisable for the first time during a calendar year exceeds \$100,000, then the option shall be treated as a nonqualified stock option to the extent of the excess. For example, if an option that otherwise qualifies as an incentive stock option is granted in the current calendar year to acquire 20,000 shares at an exercise price of \$10 per share (the fair market value of the stock at the time the option is granted) and the option can be exercised to acquire all 20,000 shares in the current calendar year, then the option will be treated as an incentive stock option with respect to 10,000 shares and a nonqualified stock option with respect to the remaining 10,000 shares. On the other hand, if the option is granted in the current calendar year, but it provides that it can be exercised to acquire 10,000 shares in the current calendar year and 10,000 shares in the following calendar year, then the option will be treated as an incentive stock option with respect to all 20,000 shares, even if the grantee chooses to not exercise any part of the option in the current calendar year and instead waits until the following calendar year to exercise the option to acquire 20,000 shares.

Nonqualified Stock Options. The holder of a nonqualified stock option recognizes income subject to federal income tax on the date of exercise of such option. The holder is taxed on the excess of (i) the fair market value of the stock (measured on the date of exercise) acquired upon exercise of the option over (ii) the option exercise price. The income is taxable at ordinary income rates and

the Company is entitled to a deduction for the amount included by the holder in income. The exercise price of nonqualified options granted under the 2019 Omnibus Plan may be no less than the fair market value of the common stock of the Company at the time of grant.

Restricted Stock Awards. A grantee of restricted stock will generally not be subject to federal income tax with respect to the stock at the time of grant if the stock is subject to a substantial risk of forfeiture. Instead, the grantee is subject to federal income tax with respect to such stock in the taxable year in which the stock is transferable or is no longer subject to such substantial risk of forfeiture, whichever is applicable. The amount that the grantee must include in gross income with respect to the restricted stock is the excess of the fair market value of the stock at the time it is transferable or no longer subject to a substantial risk of forfeiture, whichever is applicable, over the amount (if any) that was paid for the stock. In lieu of the foregoing, a grantee of restricted stock can make a special election under Section 83(b) of the Internal Revenue Code to include in gross income, for the taxable year in which the stock is granted, the excess of the fair market value of the stock at the time of grant over the amount (if any) paid for the stock. Under most cases, the Company is entitled to a deduction for the amount included by the grantee in income.

Restricted Stock Units. The grant of a restricted stock unit will result in no income to the grantee or deduction for the Company until such time as payments are actually made to the grantee under the restricted stock unit. Under most cases, at the time the Company makes such payment, the grantee will recognize ordinary income and the Company will be entitled to a deduction measured by the fair market value of the shares, if any, plus cash transferred to the grantee. Income tax withholding would be required.

Stock Appreciation Rights. The grant of a stock appreciation right will result in no income to the grantee or deduction for the Company until such time as payments are actually made to the grantee under the stock appreciation right. Under most cases, at the time the Company makes such payment, the grantee will recognize ordinary income and the Company will be entitled to a deduction measured by the fair market value of the shares, if any, plus cash transferred to the grantee. Income tax withholding would be required.

The Board recommends that the shareholders vote “FOR” approval of the 2019 Omnibus Plan.

Certain Transactions

Some of the directors and executive officers of the Company and the companies with which they are associated are customers of, or have had banking transactions with Redwood Capital Bank in the ordinary course of business, and Redwood Capital Bank expects to have banking transactions with such persons in the future. In the opinion of the Company’s management, all loans and commitments to lend in such transactions were made in compliance with applicable laws and on substantially the same terms, including interest rates and collateral, as those prevailing for comparable transactions with other persons of similar creditworthiness and did not involve more than a normal risk of collectability or present other unfavorable features.

Other Matters

Management does not know of any matters to be presented at the meeting other than that set forth above. However, if other matters come before the meeting, it is the intention of the persons named in the accompanying proxy to vote the shares represented by the proxy in accordance with the recommendations of management on such matters, and discretionary authority to do so is included in the proxy.

REDWOOD CAPITAL BANCORP



Cindy M. Conn
Corporate Secretary

Dated: April 15, 2019

It is very important that every shareholder votes. Unless, you are voting via Internet or telephone, we urge you to sign and return the enclosed proxy as promptly as possible whether or not you plan to attend the meeting in person.

In order to facilitate the providing of adequate accommodations, please indicate on the proxy whether or not you expect to attend the meeting.

A copy of the Company's Audited Financial Statements for 2018 is included with these proxy materials. An additional copy of the Audited Financial Statements for the year ended December 31, 2018 may be obtained by writing to Redwood Capital Bancorp, 402 G Street, Eureka, California 95501 or by telephoning (707) 444-9849. The first copy may be obtained without charge.

EXHIBIT A

REDWOOD CAPITAL BANCORP

2019 OMNIBUS PLAN

Redwood Capital Bancorp (“Company”) hereby adopts the 2019 Omnibus Plan (“Plan”) as set forth in this document. The Plan permits the grant of nonstatutory options, incentive stock options, stock appreciation rights, restricted stock awards and restricted stock units (individually or collectively referred to as an “Equity Award”).

1. Purpose of the Plan.

The purpose of the Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Directors and Employees of the Company and its subsidiaries and to promote the overall success of the Company’s business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. In addition, Stock Appreciation Rights, Restricted Stock Awards and Restricted Stock Units (which may or may not include a Dividend Equivalent) may be granted under the Plan to Directors and Employees. The Options, Stock Appreciation Rights, Restricted Stock Awards and Restricted Stock Units offered pursuant to the Plan are a matter of separate inducement and are not in lieu of salary or other compensation.

2. Definitions.

As used herein, the following definitions shall apply:

(a) “*Administrator*” means the Board or any of its Committees, as appropriate, appointed pursuant to Section 4 of the Plan.

(b) “*Board*” means the Board of Directors of the Company.

(c) “*Code*” means the Internal Revenue Code.

(d) “*Committee*” means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(e) “*Common Stock*” means the voting common stock, no par value, of the Company.

(f) “*Company*” means Redwood Capital Bancorp, a California corporation.

(g) “*Continuous Status as a Director or Employee*” means that the directorship, or employment with the Company is not interrupted or terminated. Continuous Status as a Director, or Employee shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or transfers to any subsidiary

of the Company, or between a subsidiary and the Company or any successor. A leave of absence shall include sick leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including policies of the Company. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the day which is three months after the 91st day of such leave, any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(h) “*Director*” means a member of the Board of Directors of the Company or a Subsidiary.

(i) “*Dividend Equivalent*” means, with respect to Restricted Stock Unit, an amount equal to the total dollar value of all dividends declared by the Company on or with respect to a share of Common Stock between the date of grant of the Restricted Stock Unit and the date of exercise of the Restricted Stock Unit. A Restricted Stock Unit does not include a Dividend Equivalent unless the Equity Award agreement for the Restricted Stock Unit clearly specifies that it does. Further, an Optionee shall have no right to receive payment of a Dividend Equivalent unless and until the Restricted Stock Unit that includes it vests and is exercised as provided herein.

(j) “*Employee*” means any key person, including an Officer or Director, employed by the Company or a Subsidiary. The payment of a Director’s fee by the Company shall not be sufficient to constitute “employment.”

(k) “*Equity Award*” shall mean a grant under this Plan of a Nonstatutory Stock Option, Incentive Stock Option, Stock Appreciation Right, Restricted Stock Award and/or Restricted Stock Unit.

(l) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(m) “*Fair Market Value*” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange, or a national market system, including, without limitation, the Nasdaq National Market of the National Association of Securities Dealers, Inc. Automated Quotation (“*NASDAQ*”), its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination and reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the *NASDAQ* System (but not on the Nasdaq National Market thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator in accordance with a

methodology that is compliant under Section 409A of the Code and regulations promulgated thereunder.

(n) “*Incentive Stock Option*” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(o) “*Nonstatutory Stock Option*” means an option not intended to qualify as an Incentive Stock Option.

(p) “*Notice of Grant*” means the notice of stock option grant to be given to each of the Optionees.

(q) “*Officer*” means a person who is an officer of the Company or a Subsidiary within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(r) “*Option*” means a stock option granted pursuant to the Plan.

(s) “*Optionee*” means a Director or Employee who receives an Option.

(t) “*Plan*” means the Redwood Capital Bancorp 2019 Omnibus Plan.

(u) “*Period of Restriction*” means the period during which the transfer of shares of restricted stock pursuant to a Restricted Stock Award and/or Restricted Stock Unit is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Administrator, at its discretion), and the shares underlying the Restricted Stock Award and/or Restricted Stock Unit are subject to a substantial risk of forfeiture, pursuant to the Restricted Stock Award Agreement and/or Restricted Stock Unit, as provided in Section 13 hereof.

(v) “*Restricted Stock Award*” means a grant of restricted shares of Common Stock to an eligible Employee or Director pursuant to Section 13 hereof.

(w) “*Restricted Stock Unit*” means a right granted under the Plan to receive a payment in cash or Common Stock, or a combination of both, as determined by the Committee, with a value equal to the sum of (i) the Fair Market Value, on the date of exercise of the right, of one share of Common Stock per Restricted Stock Unit, and (ii) the Dividend Equivalent, if the Equity Award agreement for the Restricted Stock Unit clearly specifies that it includes a Dividend Equivalent. If the Committee determines to settle payment in Common Stock, then it may pay cash in lieu of fractional shares.

(x) “*Rule 16b-3*” means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(y) “*Section 16(b)*” means Section 16(b) of the Exchange Act.

(z) “*Stock Appreciation Right*” means a grant of a stock appreciation right to an eligible Employee or Director pursuant to Section 12 hereof.

(aa) “*Share*” means each of the shares of Common Stock subject to an Option, Stock Appreciation Right, Restricted Stock Award or Restricted Stock Unit, as adjusted in accordance with Section 15 below.

(bb) “*Subsidiary*” means any corporation which at the time qualifies as a subsidiary of the Company under the definition of “subsidiary corporation” in Section 424 of the Code.

3. Stock Subject to the Plan.

(a) Subject to the provisions of Section 15 of the Plan, the maximum number of shares of Common Stock that may be issued under this Plan is 300,000 unless amended by the Board or the shareholders of the Company. The Shares may be authorized but unissued, or reacquired Common Stock.

(b) Subject to the provisions of Section 15 of the Plan, the aggregate number of Shares subject to Equity Awards granted under this Plan during any fiscal year to all eligible awardees shall not exceed 300,000 Shares. Subject to the provisions of Section 15 of the Plan, the aggregate number of Shares that may be subject to all Incentive Stock Options granted under the Plan is 300,000, and the aggregate number of Shares subject to all Stock Appreciation Rights granted under the Plan is 300,000. Notwithstanding anything to the contrary in the Plan, the limitations set forth in this Section 3(b) shall be subject to adjustment under Section 15 of the Plan.

In the event that any outstanding Equity Award granted under this Plan, including options surrendered pursuant to an option exchange, for any reason expires or is canceled or otherwise terminated, the shares allocable to the unexercised portion of such Equity Award shall become available for the purposes of this Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan upon exercise of an Option, Stock Appreciation Right, Restricted Stock Award or Restricted Stock Unit shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. Administration of the Plan.

(a) Initial Plan Procedure. Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a Committee appointed by the Board.

(b) Plan Procedure Under the Exchange Act. After the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered as follows:

(i) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by the Board, a Committee designated by the Board to so administer this Plan and/or their respective delegates.

(ii) Administration With Respect to Directors and Officers. With respect to grants of any Equity Award to Directors or Employees who are also Officers or Directors, the Plan shall be administered by (A) the Board if the Board may administer the Plan in compliance with any applicable laws, including the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made, or (B) a Committee designated by the Board to

administer the Plan, which Committee shall be constituted to comply with any applicable laws, including the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by any applicable laws, including the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made.

(iii) Administration With Respect to Other Employees. With respect to grants of any Equity Award to Employees who are neither Directors nor Officers, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which committee shall be constituted in such a manner as to satisfy the legal requirements relating to the administration of stock option plans, if any, of United States securities laws, of California corporate and securities laws, of the Code, and of any applicable stock exchange. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the applicable laws.

(c) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any stock exchange upon which the Common Stock is listed, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value of the Common Stock in accordance with Section 2(m) of the Plan;

(ii) to select the Directors and Employees to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Equity Awards are granted hereunder and the vesting conditions of any Equity Award granted;

(iv) to determine the number of Shares to be covered by each such Equity Award granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(vii) to select the Directors and Employees to whom Stock Appreciation Rights may from time to time be granted hereunder;

(viii) to select the Directors and Employees to whom Restricted Stock Awards may from time to time be granted hereunder; and

(ix) to select Directors and Employees to whom Restricted Stock Units may from time to time be granted hereunder and whether a Restricted Stock Unit includes a Dividend Equivalent.

(d) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all participants receiving an Equity Award and their successors.

(e) Records and Actions. The Administrator shall maintain a written record of its proceedings. A majority of the body constituting the Administrator shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the Administrator.

(f) Compliance with the Interagency Guidance on Sound Incentive Compensation Policies. The Administrator in making any equity-based award in this Plan shall comply with the Interagency Guidance on Sound Incentive Compensation Policies to ensure that any such award which may be deemed to be incentive compensation (i.e. any award based on the achievement of one or more metrics) does not encourage imprudent risk taking. A stock option that vests based on the lapse of time is not covered by such guidance.

In determining a grant of any Equity Award under this Plan that is deemed to be incentive compensation, the Administrator shall consider incentives that appropriately balance risk and rewards, be compatible with effective controls and risk-management, and be supported by strong corporate governance, including active and effective oversight by the Administrator and the Company's Board.

5. Eligibility.

(a) Nonstatutory Stock Options may be granted to Directors and Employees. Incentive Stock Options may be granted only to Employees. A Director or Employee who has been granted an Option may, if otherwise eligible, be granted additional Options.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company) exceeds \$100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) Stock Appreciation Rights may be granted to Directors and Employees. A Director or an Employee who has been granted a Stock Appreciation Right may, if otherwise eligible, be granted an additional Stock Appreciation Right. An Equity Award of Stock Appreciation Rights to an eligible awardee may be granted independent of any other Equity Award(s).

(d) Restricted Stock Awards may be granted to Directors and Employees. A Director or an Employee who has been granted a Restricted Stock Award may, if otherwise eligible, be granted an additional Restricted Stock Award. A Restricted Stock Award to an eligible awardee may be granted independent of any other Equity Award(s).

(e) Restricted Stock Units may be granted to Directors and Employees, either including or not including a Dividend Equivalent. A Director or an Employee who has been granted a Restricted Stock Unit may, if otherwise eligible, be granted an additional Restricted Stock Unit. A Restricted Stock Unit to an eligible awardee may be granted independent of any other Equity Award(s).

(f) Neither the Plan nor any Equity Award shall confer upon any recipient of an Equity Award any right with respect to continuation of his or her employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. Term of Plan.

The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company, as described in Section 24 of the Plan. It shall continue in effect until March 20, 2029 unless sooner terminated under Section 18 of the Plan.

7. Term of Option.

The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than ten years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent of the voting power of all classes of stock of the Company, the term of the Option shall be five years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued upon exercise of any Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent of the voting power of all classes of stock of the Company, the per Share exercise price shall be no less than 110 percent of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100 percent of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be no less than 100 percent of the Fair Market Value per Share on the date of grant.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). Unless, otherwise as determined by the Administrator and expressly provided in the Option agreement, options may be exercised by payment of the exercise price, either (i) by check, (ii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (iii) in shares of Common Stock owned by the Optionee having a Fair Market Value at the date of exercise equal to such purchase price and Withholding Taxes, provided that payment in shares of Common Stock will not be permitted unless at least 10 shares of Common Stock are required and delivered for such purpose and such shares have been held for at least six months by the optionee, (iv) in options of the Optionee that are fully vested and exercisable to acquire a number of shares of Common Stock having a Fair Market Value at the date of exercise equal to such purchase price (“net settled option exercise method”) with any fractional shares to be settled in cash, (v) any combination of the foregoing, or (vi) by any other method that the Administrator approves. At its discretion, the Administrator may modify or suspend any method for the exercise of stock options, including any of the methods specified in the previous sentence. If the optionee chooses the net settled option exercise method, the optionee’s options vested shall decrease by the total number of options that are exercised. For example, assume an option of 100 shares is granted with an exercise price of \$10 a share and is totally exercised when the fair market value of the stock is \$25 a share; in this case, 40 shares of the 100 shares would be retained by the Company as payment of the \$1,000 exercise price for the option (100 shares times \$10 per share exercise price) with the option holder receiving 60 shares directly from the Company in settlement of this option exercise and have no options outstanding to exercise (note the Withholding Taxes would be withheld separately from payroll deduction).

If otherwise permissible under Regulation T, with respect to an Optionee electing to pay the exercise price through a special sale and remittance procedure under which the Optionee shall provide irrevocable written instructions to a designated brokerage firm to effect the immediate sale of a portion of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, an amount sufficient to cover the aggregate option price payable for the purchased Shares plus all applicable Federal and State income and employment taxes required to be withheld by the Company by reason of such purchase and/or sale. The Optionee must also provide such irrevocable written instructions to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm to effect the sale transaction.

In making its determination as to the type of consideration to accept in the exercise of an Option using stock of the Company owned by the Optionee, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and whether such method of exercise is appropriate if a black out period for insider trading is in effect with respect to the Company.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator and as permissible under the terms of the Plan, but in no case at a rate of less than 20 percent per year over five years from the date the Option is granted. The right to exercise an Option may be conditioned on specific performance criteria with respect to the Company and/or the Optionee. An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) hereof. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote, receive dividends or any other rights as a shareholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 15 hereof.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Except as otherwise provided in subsections (c) and (d) below, in the event of termination of an Optionee's Continuous Status as a Director or Employee (but not in the event of an Optionee's change of status from Employee to Director (in which case an Employee's Incentive Stock Option shall automatically convert to a Nonstatutory Stock Option three months and one day following such change of status) or from Director to Employee), such Optionee may, but only within ninety days after the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as a Director or Employee as a result of his or her disability, the Optionee may, but only within 12 months from the date of such termination (and in no event later than the expiration date of the termination of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. However, in the event of termination of an Optionee's Continuous Status as a Director or Employee as a result of his or her "permanent disability" as such term is defined in Section 22(e)(3) of the Code, the Optionee shall be entitled, but only within 12 months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), to exercise all Options such Director or Employee would have been entitled to exercise had such Director or Employee remained employed for one year from the date of such termination. If such disability is not a "permanent disability," in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option three months and one day following such termination. If the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, the Optionee's estate or any person who acquired the right to exercise the Option by bequest or inheritance shall be entitled, but only within 12 months from the date of such termination (and in no event later than

the expiration date of the term of such Option as set forth in the Option Agreement), to exercise all Options such Director or Employee would have been entitled to exercise had such Director or Employee remained employed for one year from the date of such termination. All remaining Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after the Optionee's death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Rule 16b-3. Options granted to a person subject to Section 16(b) must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(f) Tax Withholding. The Options shall be subject to the applicable federal, state and local income and payroll taxes that are required to be withheld in connection with the payment therefor. The Optionee shall timely pay to the Company any and all such taxes. The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to an Optionee upon the exercise of an Option, or to accept from the Optionee the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of the Company. The Fair Market Value of any Shares withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable maximum statutory withholding rates.

10. Non-Transferability of Options.

Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Time of Granting Options.

The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Director or Employee to whom an Option is so granted within a reasonable time after the date of such grant.

12. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and provisions of the Plan, the Administrator at any time and from time to time, may grant Stock Appreciation Rights to Directors and Employees in such amounts as the Administrator shall determine. A grant of a Stock Appreciation Right may be independent of the grant of any other Equity Award, though the Administrator may grant a Stock Appreciation Right in tandem with an Option grant for the same term as such Option and condition the exercise of such tandem Stock Appreciation Right on the condition that the associated Option has not been exercised as to any part, and that upon such exercise of the tandem Stock Appreciation Right, the Shares available for exercise with respect to the associated Option be reduced by the same number of Shares of such exercise of the tandem Stock Appreciation Right.

(b) Stock Appreciation Rights Agreement. Each Stock Appreciation Rights grant shall be evidenced by a Stock Appreciation Rights Agreement that shall specify the term of the Stock Appreciation Right, the conditions for the vesting of the Stock Appreciation Right including performance-based conditions, the number of Shares subject to the Stock Appreciation Right that is granted, whether such Stock Appreciation Right is a tandem stock appreciation right and such other provisions as the Administrator shall determine.

(c) Exercise of Stock Appreciation Right. Except as may otherwise be determined by the Administrator from time to time, each exercisable Stock Appreciation Right may only be exercised by the awardee and in accordance with the terms and conditions of the Plan and the Stock Appreciation Right Agreement related to the exercisable Stock Appreciation Right, including the satisfaction of vesting and other conditions.

A Stock Appreciation Right shall be exercisable only within such period as may be determined by the Administrator (and in no event after expiration of ten years from the date the Stock Appreciation Right was granted). A Stock Appreciation Right shall be exercisable during the awardee's lifetime only by the awardee and while the awardee is an Employee or Director.

In the event of termination of the awardee's Continuous Status as a Director or Employee as a result of his or her disability, the awardee may, but only within 12 months from the date of such termination (and in no event later than the expiration date of the termination of such Stock Appreciation Right as set forth in the Stock Appreciation Right Agreement), exercise the Stock Appreciation Right to the extent otherwise entitled to exercise it at the date of such termination. However, in the event of termination of an awardee's Continuous Status as a Director or Employee as a result of his or her "permanent disability" as such term is defined in Section 22(e)(3) of the Code, the awardee shall be entitled, but only within 12 months from the date of such termination (and in no event later than the expiration date of the term of such Stock Appreciation Right as set forth in the Stock Appreciation Right Agreement), to exercise all Stock Appreciation Rights such Director or Employee would have been entitled to exercise had such Director or Employee remained employed for one year from the date of such termination.

In the event the awardee-Employee terminates employment or awardee-Director is no longer a Director, the Stock Appreciation Right shall terminate, except that if the awardee-Employee dies while an active employee of the Company or dies while being a Director of the Company, such awardee's legal representative may exercise the Stock Appreciation Right within the sooner of one year after the awardee's death or the termination date of the Stock Appreciation Right.

The manner in which a Stock Appreciation Right may be exercised shall be set forth in the Stock Appreciation Right Agreement and shall be deemed exercised upon delivery of all of the following to the Secretary of the Company:

(i) A notice complying with the applicable rules established by the Administrator stating that the Stock Appreciation Right, or a portion thereof, is exercised; and

(ii) Such representations and documents as the Administrator, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act, and any other federal or state securities laws or regulations or other laws, as

applicable. The Administrator may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance.

(d) Calculation of Equity Award upon Exercise. A Stock Appreciation Right shall entitle the awardee (or legal representative under the provisions of Section 12(c)) to receive from the Company upon the exercise of a Stock Appreciation Right, in whole or in part, the number of Shares equal in value to the excess of the Fair Market Value on the date of exercise of one Share over the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right, multiplied by the number of Shares in respect of which the Stock Appreciation Right is being exercised. The number of Shares to be issued shall be calculated on the basis of the Fair Market Value of the Shares on the date of exercise. Cash shall be paid for in lieu of any fractional shares that result from the foregoing calculation and be determined by multiplying the fractional share amount, if any by the Fair Market Value of a Share at time of exercise.

Notwithstanding the foregoing, the Administrator may elect, at any time and from time to time, in lieu of issuing all or any portion of the Shares otherwise issuable upon any exercise of any portion of a Stock Appreciation Right, to pay the awardee an amount in cash or other marketable property of a value equivalent to the aggregate Fair Market Value on the date of exercise of the number of Shares that the Administrator is electing to settle in cash or other marketable property. Additionally, notwithstanding anything to the contrary contained in this Plan, any obligation of the Company to pay or distribute cash or any other property under this Plan is subject to and conditioned upon the Company having the right to do so without violating the terms of any covenant or agreement of the Company. The Stock Appreciation Right shall be subject to the applicable federal, state and local income and payroll taxes that are required to be withheld in connection with the payment therefor. The awardee shall timely pay to the Company any and all such taxes. The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to an awardee upon the exercise or settlement of a Stock Appreciation Right, or to accept from the awardee the tender of, a number of whole Shares having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of the Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable maximum statutory withholding rates.

(e) Transferability. A Stock Appreciation Right is non-transferable, other than by will or the laws of descent and distribution, and may not be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt by the awardee (or the awardee's successor in the interest after the awardee's death) to effect any such disposition, or upon the levy of any such process, the Stock Appreciation Right may immediately become null and void and of no further validity, at the discretion of the Administrator.

(f) Shares Allocated to the Plan Calculation. If a Stock Appreciation Right is exercised, the number of Shares for which Equity Awards are available under the Plan shall be reduced for the number of Shares that was subject to such exercised Stock Appreciation Right whether Shares were issued, or an alternative payment was made in such exercise of such Stock Appreciation Right.

(g) Other Restrictions. The Administrator shall impose such other conditions and/or restrictions on a Stock Appreciation Right under the Plan as it may deem advisable including, without limitation, restrictions based upon the achievement of specific performance-based goals

and compliance with the Interagency Guidance on Sound Incentive Compensation Policies, time-based restrictions on vesting following the attainment of the performance-based goals, and/or restrictions under applicable federal or state securities laws. To this end, the outcome of all targeted goals shall be substantially uncertain on the date of grant; the goals shall be established no later than 90 days following the commencement of service to which the goals relate; the minimum period for attaining each performance goal shall be one year; and the Administrator shall certify at the conclusion of the performance period whether the performance-based goals have been attained. Such certification may be made by noting the attainment of the goals in the minutes of the Administrator's meetings. The maximum value of Stock Appreciation Rights that may be granted to any Director or Employee in a calendar year shall not exceed \$500,000 (measured by the Fair Market Value of the Shares of the Stock Appreciation Right on the date of the grant).

13. Restricted Stock Awards and Restricted Stock Units.

(a) Grant of Restricted Stock Awards and/or Restricted Stock Units. Subject to the terms and provisions of the Plan, the Administrator at any time and from time to time, may grant a Restricted Stock Award and/or Restricted Stock Units to Directors and Employees in such amounts as the Administrator shall determine.

(b) Restricted Stock Award Agreement and/or Restricted Stock Unit Agreement. Each Restricted Stock Award and/or Restricted Stock Units grant shall be evidenced by a Restricted Stock Award Agreement and/or Restricted Stock Unit Agreement that shall specify the Period(s) of Restriction, the number of shares of restricted stock granted, and such other provisions as the Administrator shall determine.

(c) Transferability. Except as provided in this Section 13, the shares of restricted stock granted pursuant to a Restricted Stock Award and/or Restricted Stock Units herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction specified in the Restricted Stock Award Agreement and/or Restricted Stock Unit Agreement, or upon earlier satisfaction of any other conditions, as specified by the Administrator in its sole discretion and set forth in the Restricted Stock Award Agreement and/or Restricted Stock Unit Agreement. Unless otherwise specified in the Restricted Stock Award Agreement and/or Restricted Stock Unit Agreement, until the end of the applicable Period of Restriction all rights with respect to the restricted stock granted pursuant to a Restricted Stock Award and/or Restricted Stock Units to a participant under the Plan shall be available during his or her lifetime only to such participant or such participant's legal representative.

(d) Other Restrictions. The Administrator shall impose such other conditions and/or restrictions on any shares of restricted stock granted pursuant to a Restricted Stock Award and/or Restricted Stock Units under the Plan as it may deem advisable including, without limitation, a requirement that participants pay a stipulated purchase price for each share of restricted stock, restrictions based upon the achievement of specific performance goals and compliance with the Interagency Guidance on Sound Incentive Compensation Policies, time-based restrictions on vesting following the attainment of the performance goals, and/or restrictions under applicable federal or state securities laws. To this end, the outcome of all targeted goals shall be substantially uncertain on the date of grant; the goals shall be established no later than 90 days following the commencement of service to which the goals relate; the minimum period for attaining each performance goal shall be one year; and the Administrator shall certify at the conclusion of the performance period whether the performance-based goals have been attained. Such certification

may be made by noting the attainment of the goals in the minutes of the Administrator's meetings. The maximum value of Restricted Stock Awards and/or Restricted Stock Units that may be granted to any Director or Employee in a calendar year shall not exceed \$500,000 (measured by the difference between the amount the participant must pay for the shares of restricted stock (if any) and the Fair Market Value of the shares of restricted stock on the date of the grant of the Restricted Stock Award and/or Restricted Stock Unit).

To the extent deemed appropriate by the Administrator, the Company may retain the certificates representing shares of restricted stock granted in the Restricted Stock Award and/or Restricted Stock Unit in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Subject to restrictions on transfer imposed under applicable securities laws and except as otherwise provided in the Restricted Stock Award Agreement and/or Restricted Stock Unit Agreement, shares of restricted stock covered by each Restricted Stock Award and/or Restricted Stock Unit grant made under the Plan shall become freely transferable by the grantee after the last day of the applicable Period of Restriction.

(e) **Voting Rights.** If the Administrator so determines, grantees holding Shares of restricted stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares of restricted stock during the Period of Restriction.

(f) **Dividends and Other Distributions.** During the Period of Restriction, grantees holding Shares of restricted stock granted hereunder may, if the Administrator so determines, be credited with dividends paid with respect to the underlying Shares while they are so held. The Administrator may apply any restrictions to the dividends that the Administrator deems appropriate.

(g) **Tax Withholding.** The Restricted Stock Award shall be subject to the applicable federal, state and local income and payroll taxes that are required to be withheld in connection with the payment therefor. The Employee shall timely pay to the Company any and all such taxes. The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to an awardee upon the exercise or settlement of a Restricted Stock Award, or to accept from the Employee the tender of, a number of whole Shares having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of the Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable maximum statutory withholding rates.

14. Performance Measures.

The performance measure(s) to be used for purposes of such grants shall be chosen from among:

- (a) Net income (before or after taxes);
- (b) Earnings per share;
- (c) Cash Flow;

- (d) Share price (including, but not limited to, growth measures and total shareholder return);
- (e) Tangible book value;
- (f) Net interest income;
- (g) Net interest margin;
- (h) Non-interest income;
- (i) Efficiency ratio;
- (j) Total assets;
- (k) Loans;
- (l) Deposits;
- (m) Asset quality including non-performing assets, net charge offs, Texas ratio and classified assets;
- (n) Returns including return on total assets, return on equity, and return on tangible common equity;
- (o) Federal banking regulator's safety and soundness ratings; and
- (p) Any of the above measures compared to peer or other companies.

A performance goal may be expressed in any form that the Committee determines, including, but not limited to: (i) percentage growth; (ii) absolute growth; (iii) cumulative growth; (iv) performance in relation to an index; (v) performance in relation to peer company performance; (vi) a designated absolute amount; or (vii) per share of common stock outstanding.

Performance measures may be set either at the Company level or branch level.

The Administrator, in its sole discretion, may make adjustments in the terms and conditions of, and the criteria included in, Equity Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 15 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

15. Adjustments Upon Changes in Capitalization or Change in Control.

(a) Effect of Outstanding Equity Awards. The existence of outstanding Equity Awards shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, exchanges, or other changes in

the Company's capital structure or its business, or any merger or consolidation of the Company or any issuance of Common Stock or other securities or subscription rights thereto, or any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Further, except as expressly provided herein or by the Administrator, (i) the issuance by the Company of Common Stock or any class of securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations to the Company convertible into such shares or other securities, (ii) the payment of a dividend in property other than shares of Common Stock, or (iii) the occurrence of any similar transaction, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to stock options or other Equity Awards theretofore granted or the purchase price per share, unless the Administrator shall determine, in its sole discretion, that an adjustment is necessary or appropriate.

(b) Adjustments. If the outstanding Common Stock or other securities of the Company, or both, for which an Equity Award is then exercisable or as to which an Equity Award is to be settled shall at any time be changed or exchanged by declaration of a stock dividend, stock split, combination of shares, extraordinary dividend of cash and/or assets, recapitalization, reorganization, corporate separation or division (including, but not limited to, a split-up, spin-off, split-off or distribution to the Company's shareholders other than a normal cash dividend) or any similar event affecting the Common Stock or other securities of the Company, the Administrator shall appropriately and equitably adjust the number and kind of shares or other securities which are subject to this Plan or subject to any Equity Awards theretofore granted, and the exercise or settlement prices of such Equity Awards, so as to maintain the proportionate number of shares of Common Stock or other securities without changing the aggregate exercise or settlement price.

(c) Fractional Shares. No right to purchase fractional shares shall result from any adjustment in stock options or stock appreciation rights pursuant to this Section 15. In case of any such adjustment, the shares subject to the stock option or stock appreciation right shall be rounded down to the nearest whole share.

(d) Assumption of Equity Awards. Any other provision hereof to the contrary notwithstanding (except for Section 15(a)), in the event the Company is a party to a merger or other reorganization, outstanding Equity Awards shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption of outstanding Equity Awards by the surviving corporation or its parent, for their continuation by the Company (if it is the surviving corporation), for accelerated vesting and accelerated expiration, or for settlement in cash.

(e) Change in Control.

(i) Unless the Administrator shall otherwise expressly provide in the agreement relating to an Equity Award, in the event of a Change in Control of the Company (as defined below):

(1) all outstanding Options, Stock Appreciation Rights, Restricted Stock Awards and Restricted Stock Units shall become immediately fully vested and exercisable

(to the extent not yet vested and exercisable as of the date of immediately prior to the Change in Control of the Company; and

(2) the Period of Restriction applicable to all outstanding Equity Awards of restricted stock shall immediately expire and all restrictions imposed under such Equity Awards shall immediately lapse.

(ii) For purposes of this Plan, a Change in Control shall be deemed to have occurred on the earliest of the following dates:

(1) The date any person (as defined in Section 14(d)(3) of the Exchange Act) shall have become the direct or indirect beneficial owner of twenty percent (20%) or more of the then outstanding common shares of the Company;

(2) The date the shareholders of the Company approve a merger or consolidation of the Company with any other corporation other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent at least 50% of the combined voting power of the voting securities of the Company or the surviving entity outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company in which no Person acquires more than 50% of the combined voting power of the Company's then outstanding securities;

(3) The date the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(4) The date there shall have been a change in a majority of the Board of Directors of the Company within a two (2) year period beginning after the effective date of the Plan, unless the nomination for election by the Company's shareholders of each new Director was approved by the vote of two-thirds of the Directors then still in office who were in office at the beginning of the two (2) year period.

(f) *Compliance with Incentive Stock Option Provisions.* Notwithstanding anything to the contrary herein, each adjustment made to an Incentive Stock Option pursuant to this Section 15 shall comply with the rules of Section 424(a) of the Code, and no adjustment shall be made that would cause any Incentive Stock Option to become a Nonstatutory Stock Option.

16. Forfeiture of Equity Awards; Recapture of Benefits.

The Administrator may, in its discretion, provide in an agreement evidencing any Equity Award that, in the event that the participant engages, within a specified period after termination of employment or cessation of directorship, in certain activity specified by the Administrator that is deemed detrimental to the interests of the Company (including, but not limited to, the breach of any non-solicitation and/or non-compete agreements with the Company), the participant will forfeit all rights under any Equity Awards that remain outstanding as of the time of such act and will return to the Company an amount of Shares with a Fair Market Value (determined as of the date such shares are returned) or, in the case of Stock Appreciation Rights that are settled in cash,

an amount of cash, equal to the amount of any gain realized upon the exercise of or lapsing of restrictions on any Equity Award that occurred within a specified time period.

17. Determination of Breach of Conditions.

The determination of the Administrator as to whether an event has occurred resulting in forfeiture or a termination of an Equity Award or any reduction of the Company's obligations in accordance with the provisions of the Plan shall be conclusive.

18. Amendment and Termination of the Plan.

(a) **Amendment and Termination.** The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any recipient of an Equity Award under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of NASDAQ or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) **Effect of Amendment or Termination.** Any amendment or termination of the Plan shall not affect Equity Awards already granted, and such Equity Awards shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the recipient of the Equity Award and the Administrator, which agreement must be in writing and signed by the recipient of the Equity Award and the Company.

(c) **Re-pricing or Repurchase of Options and Stock Appreciation Rights.** The exercise price of outstanding Options and Stock Appreciation Rights may not be changed, and the Company may not make an offer to purchase outstanding Options or Stock Appreciation Rights for cash or exchange outstanding Options or Stock Appreciation Rights for other securities, at a time when the exercise price of the outstanding Options or Stock Appreciation Rights exceeds the Fair Market Value of the Common Stock covered by the Options or Stock Appreciation Rights, except (i) with the approval of shareholders of the Company, or (ii) as otherwise required or permitted in the Plan.

19. Unfunded Plan.

Insofar as it provides for Equity Awards, the Plan shall be unfunded. Although bookkeeping accounts may be established with respect to participants who are granted Equity Awards under this Plan, any such accounts will be used merely as a bookkeeping convenience. The Company shall not be required to segregate or earmark any cash or other property which may at any time be represented by Equity Awards, nor shall this Plan be construed as providing for such segregation or earmarking, nor shall the Company or the Administrator be deemed to be a trustee of stock or cash to be awarded under the Plan.

20. Conditions Upon Issuance of Shares.

Shares shall not be issued under the Plan unless the issuance and delivery of such Shares complies with (or is exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated

thereunder, state securities laws and regulations, and the regulations of any stock exchange or NASDAQ on which the Company's securities may then be listed or quoted.

Upon the grant of an Equity Award under this Plan, or upon the exercise of any Option or Stock Appreciation Right granted under this Plan or vesting of any Restricted Stock Award, the Company may require a recipient of such Equity Award to sign an agreement to the effect that such Equity Award and related Shares will be acquired by the participant for his or her own account for investment and not with a view to, or for sale in connection with, any distribution of the Equity Award or Shares. The certificates representing the Shares purchased under any Equity Award granted under this Plan may contain such legends as counsel for the Company shall deem necessary to comply with any applicable securities law, rule, or regulation.

Unless the shares of stock covered by the Plan have been registered with the Securities Exchange Commission which the Company in its sole discretion may register, each participant shall, by accepting an Award, represent and agree, for himself or herself and his or her transferees by will or the laws of descent and distribution, that all stock will be acquired for investment and not for resale or distribution. Upon such exercise of any portion of an Award, the person entitled to exercise the same shall, upon request of the Company, furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the stock is being acquired in good faith for investment and not for resale or distribution. Furthermore, the Company, in its sole discretion, may take all reasonable steps, including affixing the following legend (and/or such other legend or legends as counsel shall require) on certificates embodying the shares:

The shares represented by this certificate have not been registered under the Securities Act of 1933 and may not be sold, pledged, hypothecated or otherwise transferred or offered for sale in the absence of an effective registration statement with respect to them under the Securities Act of 1933 or a written opinion of counsel for the optionee which opinion shall be acceptable to counsel for the Company that registration is not required.

All Equity Awards granted under the Plan are subject to the requirement that if at any time the Administrator shall determine in its discretion that the listing or qualification of the Shares subject thereto on any securities exchange, NASDAQ or under any applicable law, or the consent or approval of any governmental regulatory body, or if, in the opinion of counsel to the Company, compliance with any state or federal securities laws is necessary or desirable as a condition of or in connection with the issuance of Shares under the Equity Award, the participant's right to exercise any and all Options, Stock Appreciation Rights or receive any Shares in connection with the vesting of any Restricted Stock Award and/or Restricted Stock Unit shall be suspended unless such listing, qualification, consent, approval, or compliance shall have been effected or obtained free of any condition not acceptable to the Administrator.

21. Liability of Issuer.

The Company as issuer of Shares pursuant to the Plan shall not be liable to a participant or other persons as to (a) the non-issuance or sale of shares of Common Stock as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any shares hereunder; and (b) any tax consequence expected, but not realized, by any participant or other person due to the receipt, exercise or settlement of any Equity Award granted hereunder.

22. Reservation of Shares.

During the term of this Plan, the Company shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

23. Agreements.

Options, Stock Appreciation Rights, Restricted Stock Awards and Restricted Stock Units shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

24. Shareholder Approval.

Continuance of the Plan shall be subject to approval by the shareholders of the Company within 12 months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any stock exchange upon which the Shares are listed.

25. Information to Participants in the Plan.

The Company shall provide to each participant of an Equity Award and to each individual who acquires Shares pursuant to the Plan, not less frequently than annually during the period such participant or purchaser has one or more Equity Awards outstanding, and, in the case of an individual who acquires Shares pursuant to the Plan, during the period such individual owns such Shares, copies of annual financial statements. The Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

26 Application of Section 409A of the Code.

It is the intention of the Company that the Equity Awards either be exempt from, or otherwise comply with, Section 409A and related regulations. This Plan and each Agreement shall at all times be administered consistent with the requirements of Section 409A and related regulations. Similarly, the provisions of the Plan and each Agreement shall be interpreted consistent with the requirements of Section 409A and related regulations.

If any part of an Equity Award is subject to Section 409A, and the Company or Participant reasonably believes, at any time, that such Equity Award does not comply with Section 409A, then such party will promptly advise the other party and each of the parties will negotiate reasonably and in good faith to amend the terms of the Equity Award to comply with Section 409A and related regulations (with the most limited possible economic effect on the Company and the Participant).

27. Clawback/Recoupment of Awards.

All Equity Awards granted under the Plan will be subject to deduction, forfeiture, recoupment or similar requirement in accordance with any clawback policy that may be implemented by the Company from time to time, including such policies that may be implemented after the date an Equity Award is granted, pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, or other agreement or arrangement with an awardee.

Date approved by the Board of Directors: March 20, 2019

Date approved by the shareholders: _____

