

# SUMMIT STATE BANK

May 6, 2010

Dear Shareholder:


We are pleased to enclose our 2009 Annual Report, Notice of 2010 Annual Meeting, Proxy Statement and Form of Proxy.

You are cordially invited to attend the 2010 Annual Meeting of Shareholders, which will be held at 10:30 a.m. on Monday, June 28, 2010, at the Fountaingrove Inn, 101 Fountaingrove Parkway, Santa Rosa, California.

The accompanying Notice of Annual Meeting and Proxy Statement provide information pertaining to the matters to be considered and acted upon at the Meeting. If you have questions regarding the information included in the Bank's 2009 Annual Report, please contact Dennis Kelley, the Bank's Chief Financial Officer, at (707) 568-6000.

Your continuing support of Summit State Bank is appreciated, and we hope you will attend the Annual Meeting. Whether or not you are personally present, it is very important that your shares be represented at the Meeting. Accordingly, please sign, date, and mail the enclosed Proxy promptly. If you wish to vote in accordance with the Board of Directors' recommendations, it is not necessary to specify your choices. You may simply sign, date and return the enclosed Proxy.

Sincerely,



John C. Lewis  
Chairman



Thomas M. Duryea  
President and Chief Executive Officer

500 Bicentennial Way, Santa Rosa, California 95403 • Telephone (707) 568-6000 • Fax (707) 573-4623

MEMBER FDIC

# SUMMIT STATE BANK

## Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Summit State Bank will be held at the Fountaingrove Inn, 101 Fountaingrove Parkway, Santa Rosa, California on Monday, June 28, 2010, at 10:30 a.m. for the following purposes:

1. To elect the following nominees to serve as directors of the Bank until the next Annual Meeting of Shareholders and until their successors shall be elected and qualified:

James E. Brush  
John F. DeMeo  
Michael J. Donovan  
Richard A. Dorr  
Thomas M. Duryea  
Todd R. Fry  
Allan J. Hemphill

John C. Lewis  
Ronald A. Metcalfe  
Nicholas J. Rado  
Marshall T. Reynolds  
Robert B. St. Clair  
Eugene W. Traverso

2. To approve an advisory (non-binding) resolution concerning the Bank's executive compensation.
3. To ratify the selection of Crowe Horwath LLP, independent certified public accountants, to serve as the Bank's auditors for the fiscal year ending December 31, 2010.
4. To consider and transact such other business as may properly be brought before the meeting.

Shareholders of record at the close of business on April 15, 2010 are entitled to notice of and to vote at the meeting.

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

Nomination for election of members of the Board of Directors may be made by the Board of Directors or by any shareholder of the Corporation entitled to vote for the election of directors. Notice of intention to make any nominations shall be made in writing and shall be delivered or mailed to the President of the Corporation not less than 21 days nor more than 60 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to shareholders, such notice of intention to nominate shall be mailed or delivered to the President of the Corporation not later than the close of business on the tenth day following the day on which the notice of meeting was mailed. 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. Nominations not made in accordance herewith may, in the discretion of the Chairman of the meeting, be disregarded and upon the Chairman's instructions, the inspector(s) of election can disregard all votes cast for each such nominee.

All shareholders are cordially invited to attend the meeting in person. To ensure your representation at the meeting, you are requested to date, execute and return the enclosed proxy card, without delay, in the enclosed postage-paid envelope whether or not you plan to attend the meeting. Any shareholder present at the meeting may vote personally on all matters brought before the meeting. If you elect to vote personally at the meeting, your proxy will not be used.

**BY ORDER OF THE BOARD OF DIRECTORS**



Nancy Farber  
Corporate Secretary  
May 6, 2010  
Santa Rosa, California

**Important Notice About the Availability of Proxy Materials  
for the Annual Meeting of Shareholders to be held June 28, 2010.**

This proxy statement and the company's annual report to shareholders are available at:  
[www.summitstatebank.com](http://www.summitstatebank.com).

**WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING,  
PLEASE SIGN AND RETURN THE ENCLOSED PROXY  
AS PROMPTLY AS POSSIBLE IN THE ENCLOSED  
POSTAGE-PAID ENVELOPE.**

**PROXY STATEMENT  
OF  
SUMMIT STATE BANK**

**500 Bicentennial Way • Santa Rosa, California 95403  
Telephone (707) 568-6000 • Fax (707) 573-4622**

This proxy statement is furnished in connection with the solicitation of proxies to be used by the Board of Directors of Summit State Bank (the “Bank”) at the Annual Meeting of Shareholders of the Bank to be held at the Fountaingrove Inn, 101 Fountaingrove Parkway, Santa Rosa, California, on Monday, June 28, 2010, at 10:30 a.m., and at any adjournments or postponements thereof (the “Meeting”).

This Proxy Statement and the accompanying form of proxy are being mailed to shareholders on or about May 6, 2010.

A form of proxy for voting your shares at the Meeting is enclosed. Any shareholder who executes and delivers a proxy has the right to revoke it at any time before it is voted by filing with the Secretary of the Bank an instrument revoking said proxy or a duly executed proxy bearing a later date. In addition, the powers of the proxy-holders will be revoked if the person executing the proxy is present at the Meeting and advises the Chairman of his or her election to vote in person. Unless a proxy is revoked, all shares represented by a properly executed proxy received prior to the Meeting will be voted as specified by each shareholder in the proxy. If no specifications are given by a shareholder, then the proxy will be voted in favor of election of the nominees specified, for an advisory (non-binding) resolution concerning the Bank’s executive compensation, for the ratification of the Board’s selection of independent accountants, for approval of authority of the proxy holders to vote in favor of a motion to adjourn the meeting for the purpose of soliciting additional proxies, and in the discretion of the proxies on such other business as may properly come before the Meeting as described below.

The proxy also confers discretionary authority to vote the shares represented thereby on any matter that was not known by April 15, 2010, which may properly be presented for action at the Meeting and may include action with respect to adjournments and other procedural matters pertaining to the conduct of the Meeting and election of any person to any office for which a bona fide nominee is named herein, if such nominee is unable to serve or for good cause will not serve. A proxy will not, however, be voted in favor of an adjournment for the purpose of soliciting additional proxies on any proposal on which the proxy specifies a vote “against” or “withhold.”

The enclosed proxy is being solicited by the Bank’s Board of Directors and the cost of the solicitation is being borne by the Bank. The principal solicitation of proxies is being made by mail, although additional solicitation may be made by telephone, telegraph, facsimile or personal visits by directors, officers and employees of the Bank.

## **Purpose of the Meeting**

The Meeting is being held for the following purposes:

1. To elect thirteen directors (the entire Board of Directors) to serve until the next annual meeting of shareholders and until their successors shall be elected and qualified.
2. To approve an advisory (non-binding) resolution concerning the Bank's executive compensation
3. To ratify the selection of Crowe Horwath LLP, independent certified public accountants, to serve as the Bank's auditors for the fiscal year ending December 31, 2010.
4. To consider and transact such other business as may properly be brought before the meeting.

## **Voting Securities**

Shareholders of record as of the close of business on April 15, 2010 (the "Record Date") will be entitled to notice of and to vote at the Meeting. As of such date, the Bank had 4,744,720 shares of common stock outstanding.

Each shareholder of record is entitled to one vote, in person or by proxy, for each share held on all matters to come before the Meeting, except that shareholders may have cumulative voting rights with respect to the election of directors.

Cumulative voting allows the shareholder to cast a number of votes equal to the number of directors to be elected, 13, multiplied by the number of votes held by the shareholder on the Record Date. This total number of votes may be cast for one nominee or may be distributed among as many candidates as the shareholder desires.

Pursuant to California law, no shareholder may cumulate votes for a candidate unless such candidate or candidates' name have been placed in nomination prior to the voting and the shareholder has given notice at the Meeting prior to the voting of the shareholder's intention to cumulate the shareholder's votes. If any shareholder has given such notice, all the shareholders may cumulate their votes for the candidates who have been nominated.

Discretionary authority to cumulate votes in such event is solicited in this Proxy Statement. The proxies do not, at this time, intend to give such notice or to cumulate the votes they may hold pursuant to the proxies solicited herein unless the required notice by a shareholder is given. In the event such notice is provided, the votes represented by proxies delivered pursuant to this Proxy Statement may be cumulated in the discretion of proxy holders, in accordance with the recommendations of the Board of Directors.

In the election of directors, the 13 candidates receiving the highest number of votes will be elected. The advisory vote on executive compensation and the ratification of the selection of Crowe Horwath LLP as independent accountants requires the affirmative vote of a majority of the Bank's shares represented and voting at the Meeting. Broker non-votes (i.e., shares held by brokers or nominees which are represented at the meeting but with respect to which the broker or

nominee is not authorized to vote on a particular proposal) and abstentions will not be counted, except for quorum purposes.

Broker non-votes and abstentions will have no effect on the election of directors. In determining whether the requisite shareholder approval has been received to approve the advisory vote on executive compensation and the ratification of the selection of Crowe Horwath LLP as independent accountants, if the number of shares voted in favor constitutes a majority of the required quorum, broker non-votes and abstentions will have no effect on the matter. However, if not, broker non-votes and abstentions will have the same effect as a vote against the matter because they effectively decrease the number of shares which could have voted for the proposals and might therefore have the effect of causing these proposals not to be approved.

### **Principal Shareholders**

As of April 15, 2010, other than Marshall T. Reynolds, whose beneficial ownership of shares of the Bank's common stock is shown in the "Security Ownership of Management" table set forth below and Goldman Sachs Asset Management, which has represented to the Bank that it owns 253,294 shares or 5.3%, no persons are known to management to have, directly or indirectly, more than five percent of the Bank's issued and outstanding shares of common stock.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

To the Bank's knowledge and based solely on a review of the copies of reports furnished to the Bank and written representations that no other reports were required, during the fiscal year ended December 31, 2009, all Section 16(a) filing requirements were complied with timely by the Bank's officers and directors, except for one Form 3 filing for Linda Bertauche and James Brush, one Form 4 and Form 5 filings for Guy Dana to report six transactions, one Form 4 filing for John DeMeo (as a result of a Bank error) to report 2 transactions, one Form 5 filing for Thomas Duryea and Dennis Kelley to report one transaction, and one Form 5 for Dennis Kelley to report 3 transactions. The Bank has instituted additional procedures to enable the Directors and Officers to improve compliance.

— PROPOSAL 1 —

**Election Of Directors**

The Bylaws of the Bank provide the procedure for nomination and election of the Board of Directors. This procedure is printed in full in the Notice of Annual Meeting of Shareholders accompanying this Proxy Statement. Nominations not made in accordance with the procedures may be disregarded by the Chairman of the Meeting, and upon his instructions, the Inspector of Election shall disregard all votes cast for such nominees.

Votes will be cast in such a way as to effect the election of all nominees or as many as possible under the rules of cumulative voting to the extent the proxies have discretionary authority to do so. If any nominee should become unable or unwilling to serve as a director, either (i) the proxies will be voted for such substitute nominees as shall be designated by the Board of Directors, or (ii) the number of nominees may be reduced. The Board of Directors presently has no knowledge that any of the nominees will be unable or unwilling to serve. The 13 nominees receiving the highest number of votes at the Meeting will be elected.

**Nominees For Director**

The persons named below have been nominated by the current Board of Directors for election as directors to serve until the next Annual Meeting and until their successors are duly elected and qualified. For information pertaining to stock ownership of each of the nominees, reference can be made to the “SECURITY OWNERSHIP OF MANAGEMENT” section of this Proxy Statement. The Board of Directors has determined that all directors except Thomas M. Duryea and John C. Lewis meet Nasdaq’s requirements for independence of directors. Nasdaq rules require that a majority of the Board consist of independent directors and the Bank’s Board meets this requirement.

<u>Name</u>	<u>Age</u>	<u>Position With Bank</u>	<u>Director Since(1)</u>	<u>Principal Occupation, Business Experience During Past Five Years and Other Information</u>
James E. Brush	57	Director	2009	Active real estate agent’s license with Healdsburg Sotheby’s International Realty, and a business consultant. Board member of the Healdsburg Planning Commission, the Healdsburg Green City Committee, the Board of Access Healdsburg/MyHbg.tv, the Sonoma County Assessor’s Appeals Board, the Healdsburg Greyhound Boosters Board and Treasurer, and the Board of Summer Home Park Corp. Active CPA license for 25 years through 2003. The primary considerations as a Director are his representation and knowledge of the Healdsburg community, wine and commercial real estate industries.
John F. DeMeo	75	Director	1995	Senior partner in the law firm of DeMeo DeMeo & West; founder and director of Sonoma County Savings & Loan, Santa Rosa, California from 1977 until it was sold in 1982. The primary considerations as a Director are his community involvement and legal experience.

<u>Name</u>	<u>Age</u>	<u>Position With Bank</u>	<u>Director Since(1)</u>	<u>Principal Occupation, Business Experience During Past Five Years and Other Information</u>
Michael J. Donovan	74	Director	1990	Attorney in private practice in Santa Rosa, California since 1973; Santa Rosa Assistant City Attorney from 1968-1973. The primary consideration as a Director is his legal experience.
Richard A. Dorr	68	Director	1990	Retired general contractor and owner of RAD Developers, a real estate development firm; President of the Marin/San Francisco Bay Area Division of McKeon Construction Company from 1978 to 1982. The primary consideration as a Director is his knowledge of real estate development.
Thomas M. Duryea	52	President /CEO and Director	2008	President and Chief Executive Officer of the Bank since March 1, 2008. Senior Vice President and Chief Credit Officer of the Bank from June 2006, to March 1, 2008. From July 2001 to June 2006, Vice President and Commercial Loan Officer for the Bank. The primary consideration as a Director is his position as President and CEO.
Todd R. Fry	44	Director	2000	Chief Financial Officer of Champion Industries, Inc., a commercial printing, office supply and retail office furniture company, since 1999; Chief Financial Officer of Broughton Foods Co., a dairy manufacturer and distributor, from 1997-1999; and Manager at Coopers & Lybrand, a public accounting firm, from 1991-1997. The primary consideration as a Director is his knowledge of finance and accounting.
Allan J. Hemphill	71	Director	1999	President of Hemphill and Associates, a winery consulting and management firm, since 1999; President of Laguna Custom Cellars, Inc., a winery venture capital firm, since 1999; President of Associated Vintage Group, a winery service company, from 1993 to 1999. The primary consideration as a Director is his knowledge of the local wine industry.
John C. Lewis	74	Chairman	1998	Chairman of the Board of Directors of the Bank; Chairman and CEO of the Bank from March 2006 to March 2008; non-executive Chairman of the Bank from 1998 to 2006. Owner and President of Co-ordinated Management Systems, a software development and systems management company in Petaluma, California since 1979. The primary consideration as a Director is his experience in the financial industry and use of technology.
Ronald A. Metcalfe	51	Director	2000	Shareholder and Principal in Call & Metcalfe Certified Public Accountants, P.C., a certified public accounting firm, since 1995; Certified Public Accountant since 1986. The primary considerations as a Director are his knowledge of accounting and the local business community.
Nicholas J. Rado	59	Director	2009	Vice President and CFO of North Bay Construction since 1991 with an engineering background and extensive financial operations experience. Past board member of the Engineering Contractors Assoc. for 18 years, being honored as Contractor of the Year in 1991 and 1996. He contributes extensively to the Petaluma community, including service on the Board of the Petaluma Boys & Girls Club. The primary considerations as a Director are his representation and knowledge of the Petaluma community and construction industry.
Marshall T. Reynolds	73	Director	1998	Chairman of the Board and Chief Executive Officer of

<u>Name</u>	<u>Age</u>	<u>Position With Bank</u>	<u>Director Since(1)</u>	<u>Principal Occupation, Business Experience During Past Five Years and Other Information</u>
				Champion Industries, Inc., a commercial printing, office supply and retail office furniture company. Chairman of the Board of Premier financial Bancorp, Inc. Serves as a director of several financial and other public and private companies. The primary considerations as a Director are his experience in the financial industry, business acquisitions and corporate governance.
Robert B. St. Clair	79	Director	1999	Sales and marketing executive with Clover Stornetta Farms, Incorporated, Petaluma, California since 1993; former player for the San Francisco 49ers and a member of the Professional Football Hall of Fame. The primary consideration as a Director is his involvement and knowledge of the Bank's market area.
Eugene W. Traverso	71	Director	1999	Retired owner and director of Traverso's Gourmet Foods & Liquors, Santa Rosa, California, a food and wine retailer, from 1990 to 1998; founder, chairman and president of Sonoma County Savings & Loan, Santa Rosa, California from 1977 until its sale in 1982; director of Northbay Savings Bank, Petaluma, California from 1992 until its sale in 1997. The primary consideration as a Director is his involvement in the Bank's market area and experience on the board of former financial institutions.

<sup>1</sup> For those who were directors prior to 1998 include service as a director of Summit Savings, a Federal Savings Bank, the predecessor institution of the Bank.

There are no family relationships among any of the Bank's Executive Officers, directors or director nominees.

The Board of Directors recently approved a mandatory retirement for directors upon reaching their 80<sup>th</sup> birthday.

With the exception of Marshall T. Reynolds, no director or nominee chosen by the Board of Directors is, or within the last five years has been a director of any company with a class of securities registered pursuant to Section 12 of the Exchange Act, or subject to the requirements of Section 15(d) of such Act or of any company registered as an investment company under the Investment Company Act of 1940. Marshall T. Reynolds is Chairman of the Board of Champion Industries, Inc., Chairman of the Board of Premier Financial Bancorp, Chairman of the Board of Energy Services of America Corporation, director of First Guaranty Bank of Hammond, Louisiana; and Portec Rail Products, Inc., of Pittsburgh, Pennsylvania, each of which has registered its common stock pursuant to the Exchange Act. He is a former director of Abigail Adam's National Bancorp, Inc. and First State Financial Corporation.

During 2009, the Bank's Board of Directors met 12 times for regularly scheduled and special meetings. With the exception of Marshall T. Reynolds, each director attended at least 75 percent of the aggregate of: (i) the total number of meetings of the Board of Directors; and (ii) the total number of meetings of board committees on which that director served. The Bank's policy is that all directors should attend the Annual Meeting unless good cause prevents their

attendance. In 2009, ten directors attended the Annual Meeting in person and two directors attended via telephone.

### **Executive Officers Of The Bank**

Set forth below is certain information with respect to the Executive Officers of the Bank.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Officer Since</b>
Thomas M. Duryea	52	President and Chief Executive Officer	2006
Dennis E. Kelley	56	Senior Vice President and Chief Financial Officer	2005
Guy C. Dana	55	Senior Vice President and Chief Credit Officer	2008 <sup>1</sup>
Linda Bertauche	64	Senior Vice President and Chief Operating Officer	2009 <sup>2</sup>

<sup>1</sup> Mr. Dana was appointed Senior Vice President and Chief Credit Officer in May 2008, after Mr. Duryea was appointed President & CEO in March 2008

<sup>2</sup> Ms. Bertauche served as Senior Vice President/Compliance Officer during 2008 and was promoted to Senior Vice President and Chief Operating Officer in January 2009.

A brief summary of the background and business experience of the Executive Officers of the Bank who have not previously been described is set forth below:

Dennis E. Kelley has been the Bank's Senior Vice President and Chief Financial Officer since January 2005. Previously he was, Chief Financial Officer for Bank of Petaluma and National Bank of the Redwoods and its parent company, Redwood Empire Bancorp, and an Investment Representative/Registered Investment Advisor for A. G. Edwards.

Guy C. Dana has been the Bank's Senior Vice President and Chief Credit Officer since May 2008. From January 2008 to May 2008, he was Vice President and Credit Manager of Umpqua Bank in Napa. From July 2005 to January 2008, he was Vice President/Office Manager at Greater Bay Bank. From May 2004 to June 2005, he was Vice President and Commercial Credit Underwriter for Summit State Bank. From February 2001 to April 2004, he was Regional Manager/Credit Manager for Napa, Sonoma, Mendocino Counties at Westamerica Bank.

Linda Bertauche was promoted on January 26, 2009 to the position of Senior Vice President and Chief Operating Officer and is designated an executive officer of the Bank. Ms. Bertauche joined the bank on July 5, 2005 and was a Senior Vice President and Compliance Officer. During the previous five years and before joining the bank, she was Senior Vice President of Bank Operations for National Bank of the Redwoods and responsible for loan operations, deposit operations, data processing and information technology.

### **Board Leadership Structure and the Board's Role in Risk Oversight:**

Since March 2008 the Bank's leadership structure has separated the roles of chairman and chief executive officer. The Board believes that separating these functions gives the Board greater control of the Board's agenda and greater independence in oversight of risk.

The Board guides management through the adoption of policies that establish risk limits and authority levels. Various Board committees oversee the adherence to the policies. The Audit Committee establishes an audit oversight program that considers areas of risk within the organization.

### **Security Ownership of Management**

The following table sets forth information as of the Record Date pertaining to beneficial ownership of the Bank's common stock (the sole class of voting stock outstanding) by current directors of the Bank, nominees to be elected to the Board of Directors, and all directors and officers of the Bank as a group. As used throughout this Proxy Statement, the terms "Officer" and "Executive Officer" refer to the President and Chief Executive Officer; the Senior Vice President and Chief Financial Officer; the Senior Vice President and Chief Credit Officer; the Senior Vice President and Chief Operating Officer. The information set forth below has been obtained from the Bank's records, or from information furnished directly by the individual or entity to the Bank.

<u>Name and Address of Beneficial Owner(1)</u>	<u>Relationship with Bank</u>	<u>Amount and Nature of Beneficial Ownership (2)</u>	<u>Percent of Class (2)</u>
Linda Bertauche .....	SVP and Chief Operating Officer	2,610 (4)	(3)
James E. Brush .....	Director	9,000	(3)
Guy C. Dana .....	SVP and Chief Credit Officer	10,213	(3)
John F. DeMeo .....	Director	23,435 (5)	(3)
Michael J. Donovan.....	Director	51,347 (6)	1.1%
Richard A. Dorr.....	Director	7,000 (7)	(3)
Thomas M. Duryea.....	Director, CEO and President	10,736 (8)	(3)
Todd R. Fry .....	Director	3,600 (9)	(3)
Allan J. Hemphill.....	Director	2,474	(3)
Dennis Kelley .....	SVP and Chief Financial Officer	7,110 (10)	(3)
John C. Lewis .....	Chairman, and Director	96,146 (11)	2.0%
Ronald A. Metcalfe .....	Director	3,000	(3)
Nicholas J. Rado	Director	-	(3)
Marshall T. Reynolds .....	Director	807,020	16.9%
Robert B. St. Clair .....	Director	3,666 (12)	(3)
Eugene W. Traverso .....	Director	20,000 (13)	(3)
All directors and executive officers as a group (sixteen in number).....		1,057,357	22.1 %

- (1) The address for all persons is c/o the Bank, 500 Bicentennial Way, Santa Rosa, California, 95403.
- (2) Includes shares beneficially owned (including options exercisable within 60 days of April 15, 2010), both directly and indirectly together with associates. Subject to applicable community property laws and shared voting and investment power with a spouse, the persons listed have sole voting and investment power with respect to such shares unless otherwise noted.
- (3) Represents less than one percent of the outstanding shares of the Bank's common stock.
- (4) Includes 2,500 shares under option exercisable within 60 days of April 15, 2010.
- (5) Includes 5,602 shares with sole voting and investment power and 17,833 shares with shared voting and investment power.
- (6) Includes 45,107 shares with sole voting and investment power and 6,240 shares with shared voting and investment power..
- (7) Includes 7,000 shares held as trustee of the Dorr Family Trust.
- (8) Includes 4,546 shares held in a personal Individual Retirement Account and 690 shares by his spouse's Individual Retirement Account. Includes 5,500 shares under option exercisable within 60 days of April 15, 2010.
- (9) Includes 600 shares held by his daughter.
- (10) Includes 4,500 shares under option exercisable within 60 days of April 15, 2010.
- (11) Includes 57,000 shares with sole voting and investment power and 39,146 with shared voting and investment power.
- (12) Includes 3,666 shares held as trustee of the St. Clair Family Trust.
- (13) Includes 20,000 shares held as trustee of a family trust.

## **Committees of the Board of Directors**

### ***Audit Committee***

The members of the Audit Committee are Michael J. Donovan (Committee Chairman), James E. Brush, Ronald A. Metcalfe, Nicholas J. Rado, and Eugene W. Traverso. All Audit Committee members would be deemed independent under Rule 5605(a)(2) and Rule 5605(c)(2)(A) of Nasdaq's listing standards.

The principal duties of the Audit Committee are the following: (i) select the Bank's independent registered public accounting firm; (ii) meet with the independent registered public accounting firm to review and approve the scope of their audit engagement and the fees related to such work; (iii) meet with the Bank's financial management, internal audit management and independent registered public accounting firm to review matters relating to internal accounting controls, the internal audit program, the Bank's accounting practices and procedures and other matters relating to the financial condition of the Bank; and (iv) periodically report to the Board any conclusions or recommendations that the Audit Committee may have with respect to such matters. The Audit Committee met eight times during 2009. The committee has a written charter, a copy of which can be found on the Bank's website at [www.summitstatebank.com](http://www.summitstatebank.com). The Bank's Board of Directors has determined that the Bank has three Audit Committee financial experts, Ronald A. Metcalfe, Nicholas J. Rado, and James E. Brush, serving on its Audit Committee. The designation or identification of a person as an Audit Committee financial expert does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification.

### ***Loan Committee***

The members of the Loan Committee are Richard A. Dorr (Committee Chairman), John F. DeMeo, Michael J. Donovan, Thomas M. Duryea, Allan J. Hemphill, John C. Lewis and Eugene W. Traverso.

The Loan Committee is responsible for the approval and supervision of loans and the development of the Bank's loan policies and procedures. The Loan Committee met 19 times during 2009.

### ***Asset-Liability Management and Investment Committee***

The members of the Asset-Liability Management and Investment Committee are Eugene W. Traverso (Committee Co-Chairman), John F. DeMeo (Committee Co-Chairman), John C. Lewis, Todd R. Fry, and Thomas M. Duryea.

The Asset-Liability Management and Investment Committee is responsible for the development of policies and procedures related to liquidity, asset-liability management and the development of policies and procedures related to the Bank's investment portfolio and

supervision of the Bank's investments. The Asset-Liability Management and Investment Committee met four times during 2009.

### ***Internal Asset Review Committee***

The members of the Internal Asset Review Committee are Richard A. Dorr (Committee Chairman), John F. DeMeo, Michael J. Donovan, Thomas M. Duryea, Allan J. Hemphill, John C. Lewis and Eugene W. Traverso.

The Board of Directors' Internal Asset Review Committee reviews and makes recommendations to the Board of Directors regarding the adequacy of the allowance for loan losses and is responsible for ensuring that an independent third party reviews the loan portfolio at least annually. Management reports to the Committee regarding the administration of the Bank's loan policy, the existence of proper loan documentation and the methodology for monitoring loan quality and the level of the allowance for loan losses. The Internal Asset Review Committee met 12 times in 2009.

### ***Information Technology Committee***

The members of the Information Technology Committee are Ronald A. Metcalfe (Committee Chairman), Thomas M. Duryea, John C. Lewis.

The Information Technology Committee determines appropriate information technology systems for the Bank and reviews the performance of these systems. The Information Technology Committee met four times in 2009.

### ***Nominating Committee***

The members of the Nominating Committee are Allan Hemphill (Committee Chairman), John F. DeMeo, Ronald A. Metcalfe, and Eugene W. Traverso. The Committee will identify and review candidates for the Board of Directors and review the appropriate skills and characteristics required of Board members, in consultation with the Chairman and Chief Executive Officer, and recommends director nominees to the Board. The Committee will also consider and evaluate director nominees proposed by shareholders. The Nominating Committee met three times in 2009.

The Committee has a written charter, a copy of which can be found on the Bank's website at [www.summitstatebank.com](http://www.summitstatebank.com). In nominating candidates, the Committee takes into consideration such factors as the following: business or professional experience, judgment, skill, diversity of background and perspective, requirements of NASDAQ to maintain a minimum number of independent directors, any requirements or regulations of the FDIC, requirements of the Securities and Exchange Commission to have persons with financial expertise available to serve on the Bank's audit committee, and the extent to which the candidate generally would be a desirable addition to the Board and any committees of the Board.

## ***Compensation and Corporate Governance Committee***

The members of the Compensation and Corporate Governance Committee are Ronald A. Metcalfe, (Committee Co-Chairman) John F. DeMeo (Committee Co-Chairman), Michael Donovan, Todd R. Fry, Robert St. Clair, and Eugene W. Traverso. The Committee evaluates and recommends to the Board of Directors salary and other compensation for the CEO and President and bonuses for the executive officers. The Committee also develops and recommends to the Board a set of corporate governance principles applicable to the Bank. The Committee oversees the evaluation of the Board and management and evaluates the effectiveness of Board meetings and makes recommendations for improvement. The Committee met four times in 2009. The Committee has a charter that can be found on the Bank's website at [www.summitstatebank.com](http://www.summitstatebank.com).

### **Transactions With Related Persons**

Some of the Bank's directors and executive officers, as well as members of their immediate families and associates, are customers of, and have had banking transactions with, the Bank in the ordinary course of the Bank's business, and the Bank expects to have such ordinary banking transactions with these persons in the future. In the opinion of management of the Bank, all loans and commitments to lend included in such transactions were made in the ordinary course of business on the same terms, including interest rates and collateral, as those prevailing for comparable transactions with other persons of similar creditworthiness, and do not involve more than the normal risk of collectability or present other unfavorable features. While the Bank does not have any limits on the aggregate amount it may lend to directors and executive officers as a group, loans to individual directors and officers must comply with the Bank's lending policies and statutory lending limits. In addition, in some cases prior approval of the Bank's Board of Directors must be obtained for such loans, as required by federal and state regulations applicable to the Bank.

In 2009 there were no other existing or proposed material transactions between the Bank and any of the Bank's directors, executive officers, nominees for election as a director, or the immediate family or associates of any of the foregoing persons.

The Bank's Code of Conduct requires that if a situation arises that may present a potential conflict of interest, it must be reviewed and approved by the Bank's Board or by a designee of the Board. An executive officer or director who is aware of an actual or potential conflict of interest must advise the Bank.

Nasdaq Rule 5630 requires the Bank to conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the Bank's audit committee or another independent body of the Board of Directors. For purposes of the rule, the term "related party transaction" refers to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404 which includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships.

The Bank's Audit Committee Charter requires the Audit Committee to review for approval all related party transactions for potential conflict of interest situations. The Audit Committee determines whether any such transaction poses a disclosure issue or, where a director is involved, adversely impacts a director's independence and makes an appropriate decision regarding the transaction.

### **Change In Control**

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

### **Executive Compensation**

#### **Compensation Discussion and Analysis**

##### **General Overview of Executive Compensation**

The Bank currently has four designated executive officers: the President and Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Chief Credit Officer ("CCO"), and the Chief Operating Officer ("COO"). Compensation for the executive officers consists of salary, annual bonus, stock options and other normal employee benefits that are offered to all employees of the Bank. The CEO is not eligible for an annual bonus in 2009 under the restrictions of the Troubled Asset Relief Program.

The Compensation Committee of the Board of Directors, which consists solely of outside directors, recommends to the Board of Directors the compensation of the CEO based on their evaluation of the individual's performance and the overall performance of the Bank. Although no specific financial targets are set, factors used to assess the performance of the individual include the accomplishment of significant projects and strategies. The Bank's performance is evaluated on factors such as financial results, operations, and regulatory examination results. The CEO recommends to the Compensation Committee the compensation of the CFO, CCO, and COO. Annual salary is adjusted based on the Bank's performance and the performance of duties with respect to the officer's area of responsibility. The salary range of each position is compared to a peer group of banks in California and adjustment to salary is made when deemed appropriate.

The Compensation Committee recommends to the Board of Directors the annual bonus for the executive officers based on the Bank's financial performance and significant accomplishments during the year.

The Bank has no long-term, termination, retirement or change of control compensation agreements with any of the executive officers.

The following information is furnished with respect to the Executive Officers of the Bank whose aggregate compensation during 2009 exceeded \$100,000.

## Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards (\$)	Option Awards \$(2)	All Other Compensation \$(3)	Total (\$)
Thomas M. Duryea, CEO and President (PEO) (4)	2009	204,647	40,000	-	41,120	14,951	300,718
	2008	172,467	10,000	-	18,200	6,828	207,495
Dennis E. Kelley, S.V.P. and CFO (PFO)	2009	150,000	31,250	-	33,671	8,082	223,003
	2008	134,783	15,000	-		228	150,011
Linda Bertauche, COO (5)	2009	119,284	10,816	-	25,416	2,855	158,371
	2008	113,439	12,000	-	-	342	125,781
Guy Dana, CCO (6)	2009	134,038	20,200	-	26,844	11,803	192,886
	2008	76,149	2,500	-	-	4,688	83,336

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- (1) Bonus amounts shown for Ms. Bertauche, Messrs. Dana and Kelley for 2009 include 6,215; \$15,000; and \$25,000 respectively, paid in 2009 with respect to performance in 2008. Mr. Duryea received \$40,000 (granted at the January 2009 Board meeting) with respect to performance in 2008.
  - (2) The option column shows the grant date fair value of options granted during the year. See Footnote 10 to the Audited Financial Statements contained in the Annual Report to Shareholders on Form 10-K for the assumptions used in the computation of the value of stock option awards.
  - (3) All Other Compensation includes various benefits, including but not limited to 401-K matching contributions, automobile allowance, and excess life insurance premiums.
  - (4) Thomas M. Duryea was appointed Chief Executive Officer and President in March 2008. He formerly was the Chief Credit Officer.
  - (5) Linda Bertauche was appointed Chief Operating Officer in January 2009. She formerly was the Bank's Compliance Officer in 2008.
  - (6) Guy Dana was appointed Chief Credit Officer in May 2008. He was [Note: balance of footnote missing]

## Outstanding Equity Awards At 2009 Fiscal Year-End

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
	Thomas M. Duryea	2,500	2,500	10.92
	2,000	8,000	6.99	8/1/18
	-	5,000	5.27	1/26/19
	-	10,000	5.00	12/18/19
Dennis E. Kelley	2,500	2,500	10.92	6/25/17
	-	10,000	4.65	3/30/19
	-	3,000	5.00	12/18/19
Guy Dana	-	10,000	5.75	9/28/19
	-	2,000	5.00	12/18/19
Linda Bertauche	2,500	2,500	10.92	6/25/17
	-	10,000	5.75	9/28/19
	-	1,500	5.00	12/18/19

### Equity Compensation Plan Information

The information in the following table is provided as of the end of the fiscal year ended December 31, 2009, with respect to compensation plans (including individual compensation arrangements) under which equity securities are issuable:

<u>Plan category</u>	<b>Column (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted- average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a))</b>
Equity compensation plans approved by security holders.....	77,500	\$6.57	72,,500
Equity compensation plans not approved by security holders	30,666	\$7.26	-
Total.....	108,166	\$6.76	72,500

### Employment Contracts

There are no employment contracts between the Bank and any of the named executive officers.

## Director Compensation For 2009

The following table sets forth compensation paid to the Bank's non-employee directors during 2009

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
James E. Brush	\$ 6,000	-	\$ 6,000
John F. DeMeo	18,500	-	18,500
Michael J. Donovan	19,900	-	19,900
Richard A. Dorr	18,800	-	18,800
Todd R. Fry	15,100	-	15,100
Allan J. Hemphill	18,700	-	18,700
John C. Lewis	21,100	-	21,100
Ronald A. Metcalfe	17,300	-	17,300
Nicholas J. Rado	14,200	-	14,200
Marshall T. Reynolds	4,800	-	4,800
Robert B. St. Clair	14,800	-	14,800
Eugene W. Traverso	21,100	-	21,100

On April 2, 2010, the Summit State Bank Board of Directors established a Directors' Emeritus Program for Board members with five or more years of service where at the time they can retire, elect to resign or if they are removed from the Board through a shareholder vote will receive the equivalent of the current monthly Board fee for one year and 50% of current board fees for two additional years. The Emeritus Program would entail the retired, resigned or removed board member's working with management to represent the Bank at business functions and becoming a member of the Advisory Board. The retired, resigned or removed member would no longer attend Board meetings or have voting authority, and the program benefits are terminable upon death of the individual.

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## Compensation Committee's Report on Compensation

The Compensation Committee has reviewed and discussed with the management of the Bank the Compensation Discussion and Analysis included in this proxy statement.

Based on such review and discussions, the Board of Directors of the Bank determined that the Compensation Discussion and Analysis be included in the Bank's annual report on Form 10-K and in this proxy statement.

Ronald A. Metcalf  
John F. DeMeo  
Michael J. Donovan  
Todd R. Fry  
Robert St. Clair  
Eugene W. Traverso

### **Audit Committee Report**

The Audit Committee has reviewed and discussed the audited financial statements with management. The Audit Committee has discussed with the independent auditors the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board, and has discussed with the independent accountant the independent accountant's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Bank's annual report on Form 10-K.

Michael J. Donovan  
James E. Brush  
Ronald A. Metcalfe  
Nicholas J. Rado  
Eugene W. Traverso

### **Significant Litigation**

The Bank is not involved in any litigation in which a director or officer has a material adverse interest.

**Recommendation of the Board of Directors**

**— PROPOSAL 1 —**

**Election of the Board of Directors**

**You are urged to vote for Proposal 1: To elect the 13 nominees set forth herein to serve until the next annual meeting of the shareholders and until their respective successors shall be elected and qualified: James E. Brush, John F. DeMeo, Michael J. Donovan, Richard A. Dorr, Thomas M. Duryea, Todd R. Fry, Allan J. Hemphill, John C. Lewis, Ronald A. Metcalfe, Nicholas J. Rado, Marshall T. Reynolds, Robert B. St. Clair, and Eugene W. Traverso. If no contrary instruction is given, the proxy holders intend to vote for each nominee listed.**

## — PROPOSAL 2 —

### **Advisory Vote on Executive Compensation**

The American Recovery and Reinvestment Act of 2009 was enacted on February 17, 2009. One provision of the act requires that each recipient of funds from the U.S. Treasury under its TARP Capital Purchase Program permit shareholders to vote to approve, on a non-binding basis, the compensation of executives, as disclosed in a company's proxy statement.

In December 2008, the Bank raised \$8.5 million by issuing Series A preferred stock to the U.S. Department of the Treasury under its Capital Purchase Program. As a result, the Bank is required to seek shareholder approval under the new law.

This proposal, commonly known as a "Say on Pay" proposal, gives shareholders the opportunity to endorse or not endorse the Bank's executive pay program through the following resolution:

*"Resolved, that the shareholders approve the compensation of executives, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and any related material) in the Bank's proxy statement for the 2010 annual meeting of shareholders."*

The Board of Directors believes that the Bank's compensation policies and procedures are centered on a pay-for-performance culture and are strongly aligned with the long-term interests of shareholders. Because this vote is advisory, the results will not be binding upon the Bank or the Board or create or imply any additional fiduciary duty by the Board. However, the Compensation Committee may take into account the outcome of the vote when considering future executive compensation arrangements.

### **Recommendation Of The Board Of Directors**

**The Board of Directors unanimously recommends a vote "FOR" approval of the Bank's compensation of executives as disclosed in this Proxy Statement. The proxy holders intend to vote all proxies "FOR" the advisory proposal on executive compensation unless contrary instruction is given.**

— PROPOSAL 3 —

**Ratification of Selection of Independent  
Public Accountants**

At the 2010 Annual Meeting of Shareholders the following resolution will be subject to ratification by a simple majority vote of the shares represented at the meeting:

*Resolved, that the selection of Crowe Horwath LLP as the independent certified public accountants of Summit State Bank for the fiscal year ending December 31, 2010 is hereby ratified.*

If ratification is not achieved, the selection of an independent certified public accountant will be reconsidered and made by the Audit Committee. Even if the selection is ratified, the Bank reserves the right and, in its discretion, may direct the appointment of any other independent certified public accounting firm at any time if the Board decides that such a change would be in the best interests of the Bank and its shareholders.

Crowe Horwath served as the Bank's independent certified public accountants under the name of Crowe Chizek during the fiscal years ended December 31, 2006 and 2007 and under the name of Crowe Horwath during the fiscal years ended December 31, 2008 and 2009. The services provided by Crowe Horwath include the examination and reporting of the financial status of the Bank.

**Fees Paid To Independent Public Accountants**

The table following sets for information regarding the fees paid to Crowe Horwath for services performed during the fiscal years ended December 31, 2009 and 2008.

<u>Service</u>	<u>Fees for period ended December 31, 2009</u>	<u>Fees for period ended December 31, 2008</u>
Audit	\$132,520	\$108,190
Tax	\$13,200	\$11,270
All other	---	\$5,685

**Recommendation Of The Board Of Directors**

**The Board of Directors unanimously recommends a vote “FOR” approving the ratification of the selection of Crowe Horwath LLP as the Bank’s auditors for the fiscal year ending December 31, 2010. The proxy holders intend to vote all proxies “FOR” ratification of the selection of Crowe Horwath unless contrary instruction is given.**

## **Other Business**

If any matters not referred to in this Proxy Statement come before the meeting, including matters incident to the conduct of the meeting, the proxy holders will vote the shares represented by proxies in accordance with their best judgment. Management is not aware of any other business to come before the meeting and, as of the date of the preparation of this Proxy Statement, no shareholder has submitted to management any proposal to be acted upon at the meeting.

## **Code Of Ethics**

The Bank has adopted a code of ethics governing the conduct of all its employees, officers and directors. The code is available upon written request to Nancy Farber, Corporate Secretary, Summit State Bank, 500 Bicentennial Way, Santa Rosa, California 95403.

## **Shareholder Communications with the Board Of Directors**

Shareholders wishing to communicate with the Board of Directors or with a particular director may do so in writing addressed to the Board, or to the particular director, and delivering it to our Corporate Secretary at the address of our main office at 500 Bicentennial Way, Santa Rosa, California 95403. The recipient will promptly forward such communications to the applicable committee, director or to the Chairman of the Board for consideration

## **Other Matters**

Any shareholder proposals intended to be considered by management of the Bank for inclusion in the Bank's Proxy Statement for the 2011 Annual Meeting of Shareholders must be received by the Bank no later than January 7, 2011.

The proxies for the 2011 Annual Meeting of Shareholders may use their discretion in voting on proposals presented at the Meeting of which the Bank did not have notice by at least March 8, 2011.

Santa Rosa, California  
May 6, 2010

SUMMIT STATE BANK



Nancy Farber  
Secretary