

SUMMIT STATE BANK

April 23, 2007

Dear Shareholder:

We are pleased to enclose our 2006 Annual Report, Notice of 2007 Annual Meeting, Proxy Statement and Form of Proxy.

You are cordially invited to attend the 2007 Annual Meeting of Shareholders, which will be held at 10:30 a.m. on Monday, May 21, 2007, at the 6th Street Playhouse, 52 West 6th Street, Santa Rosa, California.

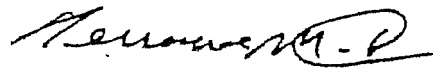
The accompanying Notice of Annual Meeting and Proxy Statement provide information pertaining to the matters to be considered and acted upon at the Meeting. If you have questions regarding the information included in the Bank's 2006 Annual Report, please contact Dennis Kelley, the Bank's Chief Financial 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 and Chief Executive Officer



Terrance M. Davis
President and Chief Operating 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 6th Street Playhouse, 52 West 6th Street, Santa Rosa, California on Monday, May 21, 2007, 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:

Terrance M. Davis	Jeanne D. Hubbard
John F. DeMeo	John C. Lewis
Michael J. Donovan	Ronald A. Metcalfe
Richard A. Dorr	Marshall T. Reynolds
Todd R. Fry	Robert B. St. Clair
George I. Hamamoto	Eugene W. Traverso
Allan J. Hemphill	

2. To ratify the selection of Crowe Chizek and Company LLP, independent certified public accountants, to serve as the Bank's auditors for the fiscal year ending December 31, 2007.
3. To adopt the Bank's 2007 Stock Option Plan.
4. To approve authority of the proxy holders to vote in favor of a motion to adjourn the meeting for the purpose of soliciting additional proxies.
5. 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 3, 2007, 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
April 23, 2007
Santa Rosa, California

**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 6th Street Playhouse, 52 West 6th Street, Santa Rosa, California, on Monday, May 21, 2007, 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 April 23, 2007.

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 the ratification of the Board’s selection of independent accountants, for the 2007 Stock Option Plan, 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 March 17, 2007, which may properly be presented for action at the Meeting and may include action with respect to 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.

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 ratify the selection of Crowe Chizek and Company LLP, independent certified public accountants, to serve as the Bank's auditors for the fiscal year ending December 31, 2007.
3. To adopt the Bank's 2007 Stock Option Plan.
4. To approve authority of the proxy holders to vote in favor of a motion to adjourn the meeting for the purpose of soliciting additional proxies.
5. 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 3, 2007, (the "Record Date") will be entitled to notice of and to vote at the Meeting. As of such date, the Bank had 4,844,720 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, thirteen, 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. Approval of the proposals to approve the ratification of the selection of Crowe

Chizek and Company LLP as independent accounts, adopt the Bank’s 2007 Stock Option Plan and approve adjournment of the Annual Meeting for the purpose of soliciting additional proxies each 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, and will have no effect on the election of directors.

In determining whether the requisite shareholder approval has been received, 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 since 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

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, as of April 3, 2007, 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, except as follows:

<u>Name and Address of Beneficial Owner</u>	<u>Amount of Beneficial Ownership</u>	<u>Percent Ownership</u>
TVI Corporation 300 Delaware Avenue Suite 1704 Wilmington, Delaware 19801	330,000	6.8%

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) requires executive officers, directors, and persons who beneficially own more than 10 percent of the stock of the Bank to file initial reports of ownership and reports of changes in ownership. Such persons are also required by S.E.C. regulations to furnish the Bank with copies of these reports. Based solely on a review of the copies of such reports furnished to the Bank, the Bank believes that during 2006 its executive officers, directors, and beneficial owners of more than 10 percent of the stock complied with all applicable filing requirements of Section 16(a).

— 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 decided that all directors except Terrance M. Davis 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>
Terrance M. Davis	59	President, COO and Director	2000	President and COO of the Bank since 2006; President and CEO of the Bank from 2000 to 2006; Executive Vice President, Chief Operating Officer and Chief Lending Officer for the Bank from 1999 to 2000 and for Summit Savings, a Federal Savings Bank (the predecessor of the Bank) from 1998 to 1999; and Senior Vice President and Chief Loan Officer for National Bank of the Redwoods from 1989 to 1998.
John F. DeMeo	72	Director	1995	Senior partner in the law firm of DeMeo & DeMeo; founder and director of Sonoma County Savings & Loan, Santa Rosa, California from 1977 until it was sold in 1982.

<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	72	Director	1990	Attorney in private practice in Santa Rosa, California since 1973; Santa Rosa Assistant City Attorney from 1968-1973.
Richard A. Dorr	65	Director	1990	General contractor and owner of RAD Developers, a real estate development firm, since 1983; President of the Marin/San Francisco Bay Area Division of McKeon Construction Company from 1978 to 1982.
Todd R. Fry	41	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.
George I. Hamamoto	83	Director	1999	Partner with Bill Noonan Insurance Agency/McDonald-Leavitt Agency, Inc., Santa Rosa, California since 1968; director of Sonoma County Savings & Loan, Santa Rosa, California from 1978 until its sale in 1982.
Allan J. Hemphill	68	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; co-owner of Il Cuore Wine Cellars, Inc. since 2000.
Jeanne D. Hubbard	58	Director	1998	Chairwoman, President and Chief Executive Officer of Abigail Adams National Bancorp, Inc., Washington, D.C. since 1998; director of Abigail Adams National Bancorp, Inc. and The Adams National Bank, Washington, D.C. since 1995; Director of Risk Management, Premier Financial Bancorp, Inc., Huntington, West Virginia, from November 1999 to July

<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>
John C. Lewis	71	Chairman, Chief Executive Officer and Director	1998	2005; Director of First Sentry Bank, Huntington, West Virginia since 1996. Chairman and CEO of the Bank since March 2006; 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.
Ronald A. Metcalfe	48	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.
Marshall T. Reynolds	70	Director	1998	Chairman of the Board and Chief Executive Officer of Champion Industries, Inc., a commercial printing, office supply and retail office furniture company.
Robert B. St. Clair	76	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.
Eugene W. Traverso	68	Director	1999	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.

¹ Includes 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.

With the exception of Jeanne D. Hubbard and Marshall T. Reynolds, no director or nominee chosen by the Board of Directors is 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. Jeanne D. Hubbard is a director of Abigail Adams National Bancorp, Inc., a bank holding company that has registered its common stock pursuant to the Exchange Act. Marshall T. Reynolds is Chairman of the Board of Champion Industries, Inc., Chairman of the Board of Premier Financial Bancorp, and a director of Abigail Adams National Bancorp, Inc., First Guaranty Bank of Hammond, Louisiana, First State Financial Corporation of Sarasota, Florida and Portec Rail Products, Inc., of Pittsburgh, Pennsylvania, each of which has registered its common stock pursuant to the Exchange Act.

During 2006, the Bank's Board of Directors met 14 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 2006 ___ directors attended the Annual Meeting.

Executive Officers Of The Bank

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

Name	Age	Position	Officer Since
John C. Lewis	71	Chairman of the Board and Chief Executive Officer	2006
Terrance M. Davis	59	President and Chief Operating Officer	1998 ¹
Dennis E. Kelley	53	Senior Vice President and Chief Financial Officer	2005
Thomas M. Duryea	49	Senior Vice President and Chief Credit Officer	2006

¹ Includes service as an officer of Summit Savings, a Federal Savings Bank, the predecessor institution of the Bank.

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. From January 2001 to December 2004 he was an Investment Representative/Registered Investment Advisor for A. G. Edwards. From January 2000 to December 2000 he was Chief Financial Officer for Bank of Petaluma. Prior to that from 1999 to 2000 he provided consulting services; his principal consulting engagement was to provide services as Chief Financial Officer for River City Bank. From January 1996 to January 1999 he served as Chief Operating Officer and from September 1986 to December 1995 he served as

Chief Financial Officer of National Bank of the Redwoods and its parent company, Redwood Empire Bancorp.

Thomas M. Duryea was appointed Senior Vice President and Chief Credit Officer of the Bank on June 30, 2006. From July 2001 to June 30, 2006 he served as Vice President and Commercial Loan Officer for the Bank. He was V.P. and Credit Officer at California Bank and Trust, previously Sumitomo Bank, in Oakland, California from 1999 to 2001, and Business Relationship Officer for Union Bank in San Francisco from 1998 to 1999. Mr. Duryea held several positions at Wells Fargo Bank from 1992 to 1998, including Mortgage Banker, Senior Credit Analyst, and Commercial Loan Officer.

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 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; and, for purposes of the Summary Compensation Table only, the former Chief Credit 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>
Terrance M. Davis	President, COO and Director	38,676(3)	(4)
John F. DeMeo	Director	19,096(5)	(4)
Michael J. Donovan	Director	37,400(6)	(4)
Richard A. Dorr	Director	7,000(7)	(4)
Thomas M. Duryea	SVP and Chief Credit Officer	3,436(8)	(4)
Todd R. Fry.....	Director	3,600(9)	(4)
George I. Hamamoto.....	Director	5,000	(4)
Allan J. Hemphill.....	Director	2,474	(4)
Jeanne D. Hubbard.....	Director	6,000	(4)
Dennis Kelley	SVP and Chief Financial Officer	610	(4)
John C. Lewis	Chairman, CEO, and Director	92,059(10)	1.89%
Ronald A. Metcalfe.....	Director	3,000	(4)
Marshall T. Reynolds.....	Director	807,020	16.57%
Robert B. St. Clair	Director	3,666(11)	(4)
Eugene W. Traverso	Director	16,000(12)	(4)
All directors and executive officers as a group (fifteen in number).....		1,042,837	21.22 %

(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 3, 2007), 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) Includes 7,000 shares held in a personal Individual Retirement Account and 18,666 shares in stock options exercisable within 60 days of April 3, 2007.
- (4) Represents less than one percent of the outstanding shares of the Bank's common stock.
- (5) Includes 5,516 shares held in a personal Individual Retirement Account and 1,040 shares held in his spouse's Individual Retirement Account.
- (6) Includes 33,400 shares held in a personal Individual Retirement Account and 4,000 shares held in trust for his daughters.
- (7) Includes 7,000 shares held as trustee of the Dorr Family Trust.
- (8) Includes 2,346 shares held in a personal Individual Retirement Account and 690 shares by his spouse's Individual Retirement Account
- (9) Includes 600 shares held by his daughter.
- (10) Includes 50,000 shares held in a personal Individual Retirement Account and 7,650 shares held by the Lewis Living Trust.
- (11) Includes 3,666 shares held as trustee of the St. Clair Family Trust.
- (12) Includes 16,000 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), Jeanne D. Hubbard, Ronald A. Metcalfe, and Eugene W. Traverso. All Audit Committee members would be deemed independent under Rule 4200(a)(15) and Rule 4350(d)(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 2006. The committee has a written charter which is attached to this proxy statement as Appendix A.

The Bank's Board of Directors has determined that the Bank has two audit committee financial experts, Ronald A. Metcalfe and Jeanne D. Hubbard, 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 Terrance M. Davis (Committee Chairman), Michael J. Donovan, Richard A. Dorr, Allan J. Hemphill, Jeanne D. Hubbard, 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 29 times during 2006.

Asset-Liability Management Committee

The members of the Asset-Liability Management Committee are Eugene W. Traverso (Committee Chairman), John C. Lewis, Terrance M. Davis and Dennis E. Kelley.

The Asset-Liability Management Committee is responsible for the development of policies and procedures related to liquidity and asset-liability management. The Asset-Liability Management Committee met seven times during 2006.

Internal Asset Review Committee

The members of the Internal Asset Review Committee are Richard A. Dorr (Committee Chairman), Terrance M. Davis, Michael J. Donovan, Allan J. Hemphill, Jeanne D. Hubbard, John C. Lewis and Eugene W. Traverso.

The Board of Directors' Internal Asset Review Committee reviews and makes monthly 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 2006.

Investment Committee

The members of the Investment Committee are John F. DeMeo (Committee Chairman), John C. Lewis, Todd R. Fry and Eugene W. Traverso.

The Investment Committee is responsible for the development of policies and procedures related to the Bank's investment portfolio and supervision of the Bank's investments. The Investment Committee met four times during 2006.

Information Technology Committee

The members of the Information Technology Committee are George I. Hamamoto (Committee Chairman), Terrance M. Davis and 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 three times in 2006.

Incentive Committee

On November 28, 2005, the Board of Directors formed an Incentive Committee. The members of the Incentive Committee are John F. DeMeo (Committee Chairman), George I. Hamamoto, Ronald A. Metcalfe, Robert B. St. Clair and Eugene W. Traverso.

The Incentive Committee determines appropriate methods of incentive compensation for officers and employees. The Incentive Committee met once in 2006.

Marketing Committee

The members of the Marketing Committee are Allan J. Hemphill (Committee Chairman), and Terrance M. Davis, John F. DeMeo, George I. Hamamoto, John C. Lewis, Robert B. St. Clair and Eugene W. Traverso.

The Marketing Committee reviews the marketing plans and strategies of the Bank. The Marketing Committee met one times in 2006. The Marketing Committee was disbanded on October 22, 2006.

Nominating Committee

On December 18, 2006, the Board of Directors formed the Nominating Committee. The members of the Nominating Committee are Allan Hemphill (Committee Chairman), Jeanne D. Hubbard, 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 recommend director nominees to the Board. The Committee will also consider and evaluate director nominees proposed by shareholders. The Nominating Committee did not meet in 2006. A copy of the Nominating Committee's charter is attached as Appendix B.

Corporate Governance Committee

On June 19, 2006, the Board of Directors formed the Corporate Governance Committee. The members of the Corporate Governance Committee are Ronald Metcalfe (Committee Chairman), Michael J. Donovan, and Jeanne D. Hubbard. The Corporate Governance Committee evaluates Board performance and the structure of Board committees, and ensures that the corporation has sound governance. The Corporate Governance Committee did not meet in 2006.

Compensation Committee

The members of the Compensation Committee are Jeanne D. Hubbard (Committee Chairwoman) and Todd R. Fry. The Committee evaluates and recommends to the Board of Directors salary and other compensation for the CEO and COO and bonuses for the executive

officers. The Committee met once in 2006. The Committee has a charter adopted in March 2007. A copy of the charter is attached as Appendix C.

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 collectibility 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 2006 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 4350(h) 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 term "related party transaction" refers to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404. 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 Chief Executive Officer (“CEO”), the President and Chief Operating Officer (“COO”), the Chief Financial Officer (“CFO”) and the Chief Credit Officer (“CCO”). 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 COO is the only remaining officer who has received stock options, which were granted in January 2005 based on the Bank’s 2004 performance.

The Compensation Committee of the Board of Directors, which consists solely of outside directors, determines the compensation of the CEO and COO. The Compensation Committee determines the salary of the CEO and COO based on their evaluation, and the CEO’s evaluation of the COO, 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 includes financial results, operations, and regulatory examination results. The CEO and COO determine the compensation of the CFO and CCO. Annual salary is adjusted based on their evaluation of performance based on accomplishments 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 CEO, CFO and each other Executive Officer of the Bank whose aggregate compensation during 2006 exceeded \$100,000.

Summary Compensation Table for 2006

Name and Principal Position	Year	Salary (\$)	Bonus \$(4)	Stock Awards \$(5)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
PEO John C. Lewis, Chairman and CEO (1)	2006	125,000	-	150	-	-	125,150
PFO Dennis E. Kelley, S.V.P. and CFO	2006	113,304	17,500	150	-	2,383	133,337
Terrance M. Davis, President and COO	2006	174,825	45,000	150	-	5,245	225,220
Thomas M. Duryea, S.V.P. and CCO (2)	2006	105,338	5,000	150	-	3,096	113,584
Douglas C. Haigh, S.V.P. and CCO (3)	2006	94,819	25,000	150	-	2,116	122,085

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- (1) John C. Lewis was appointed CEO in March 2006. Before that date he received director fees through February 2006.
 - (2) Thomas M. Duryea was appointed CCO in July 2006 and compensation before this date was for the position of Commercial Lending Officer.
 - (3) Douglas C. Haigh resigned from the Bank on June 29, 2006. Compensation listed are amounts paid as the former CCO.
 - (4) Bonus amounts shown for Messrs. Davis, Haigh and Kelley for 2006 include \$30,000, \$25,000 and \$7,500, respectively, paid in 2006 with respect to performance in 2005.
 - (5) Represents 10 shares provided to every employee, including executive officers, in 2006 by the Board of Directors. This compensation was a one-time grant and not part of a formal plan.

Outstanding Equity Awards At 2006 Fiscal Year-End

<u>Name</u>	Option Awards			
	Number of Securities Underlying Unexercised Options (#) <u>Exercisable</u>	Number of Securities Underlying Unexercised Options (#) <u>Unexercisable</u>	Option Exercise Price (\$)	Option Expiration Date
	Terrance M. Davis	1,333 16,000	2,667 4,000	7.50 7.125
Douglas C. Haigh	6,666	-	7.50	01/31/15

Equity Compensation Plan Information

The information in the following table is provided as of the end of the fiscal year ended December 31, 2006, with respect to compensation plans (including individual compensation arrangements) under which equity securities are issuable:

<u>Plan category</u>	Column (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted- average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a))
Equity compensation plans approved by security holders.....	None	Not applicable	Not applicable
Equity compensation plans not approved by security holders	80,666	\$5.97	19,334
Total.....	80,666	\$5.97	19,334

Employment Contracts

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

Director Compensation For 2006

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
John F. DeMeo	\$14,800	-	\$14,800
Michael J. Donovan	17,800	-	17,800
Richard A. Dorr	18,300	-	18,300
Todd R. Fry	11,800	-	11,800
George I. Hamamoto	13,300	-	13,300
Allan J. Hemphill	16,200	-	16,200
Jeanne D. Hubbard	13,800	-	13,800
John C. Lewis (1)	3,200	-	3,200
Ronald A. Metcalfe	13,800	-	13,800
Marshall T. Reynolds	5,000	-	5,000
Robert B. St. Clair	10,800	-	10,800
Eugene W. Traverso	16,600	-	16,600

(1) Fees paid to John Lewis were paid prior to his appointment as CEO in March 2006.

Board of Directors' Report on Compensation

The Board of Directors has reviewed and discussed with 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.

Jeanne D. Hubbard and Todd R. Fry

Compensation Committee Interlocks and Insider Participation

During 2006, John C. Lewis, the Bank's Chairman and Chief Executive Officer, and Terrance M. Davis, the Bank's President and Chief Operating Officer, served on the Bank's Board of Directors. The Board of Directors determines the remuneration for senior management. Messrs. Lewis and Davis do not participate as voting members of the Board of Directors with respect to matters related to their own compensation.

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
Jeanne D. Hubbard
Ronald A. Metcalfe
Eugene W. Traverso

Significant Litigation

The Bank is not involved in any litigation other than routine litigation in the ordinary course of the Bank's business.

Recommendation 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: Terrance M. Davis, John F. DeMeo, Michael J. Donovan, Richard A. Dorr, Todd R. Fry, George I. Hamamoto, Allan J. Hemphill, Jeanne D. Hubbard, John C. Lewis, Ronald A. Metcalfe, 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** —

**Ratification of Selection of Independent
Public Accountants**

At the 2007 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 Chizek and Company LLP (“Crowe Chizek”) as the independent certified public accountants of Summit State Bank for the fiscal year ending December 31, 2007 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.

The services provided by Crow Chizek include the examination and reporting of the financial status of the Bank.

A representative of Crowe Chizek is expected to attend the 2007 Annual Meeting of Shareholders. The representative will have the opportunity to make a statement, if desired, and is expected to be available to respond to appropriate shareholders’ inquiries.

Fees Paid To Independent Public Accountants

Perry-Smith, LLP served as the Bank’s independent certified public accountants during the fiscal year ended December 31, 2005. Crowe Chizek served as the Bank’s independent certified public accountants during the fiscal year ended December 31, 2006. The following is information regarding the fees paid to Perry-Smith, LLP and Crowe Chizek for services performed during the fiscal year ended December 31, 2005 and 2006, respectively.

Audit Fees

The aggregate fees for professional services rendered by Perry-Smith, LLP for the audit of the Bank’s annual financial statements during the year ended December 31, 2005 was \$59,500.

The aggregate fees for professional services rendered by Crowe Chizek for the audit of the Bank’s annual financial statements during the year ended December 31, 2006 was \$70,000.

Audit-Related Fees

Perry-Smith, LLP performed additional audit-related professional services for the Bank, with respect to the initial public offering, during the year ended December 31, 2006 for which

they were paid \$126,090. Crowe Chizek did not perform any additional audit-related professional services for the Bank during the year ended December 31, 2006.

Tax Fees

The aggregate fees billed by Perry-Smith, LLP for tax compliance, tax advice and tax planning for the years ended December 31, 2006 and 2005 were \$10,250 and \$18,175. There were no fees billed by Crowe Chizek for tax compliance, tax advice and tax planning for the year ended December 31, 2006.

All Other Fees

The aggregate amount of fees billed by Perry-Smith, LLP for all other services performed for the Bank during the years ended December 31, 2006 and 2005 were \$2,710 and \$6,810. The aggregate amount of fees billed by Crowe Chizek for all other services performed for the Bank during the year ended December 31, 2006 was \$6,500.

Change in Bank's Certifying Accountant

The Audit Committee of the Board of Directors of Summit State Bank conducted a selection process related to its external independent auditor. The Audit Committee selected Crowe Chizek and to serve as the Bank's independent registered public accounting firm beginning with the third quarter 2006 Form 10-Q review and audit of the financial statements for the year ended December 31, 2006, and dismissed Perry-Smith LLP as its independent registered public accounting firm. Crowe Chizek was selected from among a number of firms invited to submit proposals. The Bank's Audit Committee participated in and approved the decision to change its independent registered public accounting firm.

The audit reports of Perry-Smith LLP on the Bank's financial statements for the fiscal years ended December 31, 2004 and 2005 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two fiscal years ended December 31, 2004 and 2005 and through October 23, 2006, there were no disagreements with Perry-Smith LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Perry-Smith LLP, would have caused Perry-Smith LLP to make reference thereto in their reports on the financial statements for such years.

During the two fiscal years ended December 31, 2004 and 2005 and through October 23, 2006, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

The Bank requested that Perry-Smith LLP furnish it with a letter addressed to the FDIC stating whether or not it agrees with the above statements. A copy of such letter, dated October 24, 2006, was filed as Exhibit 16.1 to the Bank's Form 8-K filed with the FDIC on October 24, 2006.

During the Bank's two fiscal years ended December 31, 2004 and 2005, and through October 23, 2006, the Bank did not consult with Crowe Chizek regarding either (1) the

application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Bank's consolidated financial statements, and neither a written report was provided to the Bank or oral advice was provided that Crowe Chizek concluded was an important factor considered by the Bank in reaching a decision as to the accounting, auditing or financial reporting issue; or (2) any matter that was either the subject of a disagreement or reportable event as defined in Item 304(a)(1)(iv) and (v) of Regulation S-K.

The Bank provided a copy of the foregoing disclosure to Crowe Chizek and provided Crowe Chizek with an opportunity to furnish a letter addressed to the FDIC containing any new information, clarification of the Bank's expression of its views, or the respects in which it did not agree with the statements made by the Bank. Crowe Chizek advised the Bank that it reviewed these disclosures in the prior 8-K and has no basis on which to submit such a letter addressed to the FDIC in response to Item 304 of Regulation S-K.

Recommendation Of The Board Of Directors

The Board of Directors recommends that the shareholders vote in favor of approving the ratification of the selection of Crowe Chizek and Company LLP as the Bank's auditors for the fiscal year ending December 31, 2007. You are urged to vote for Proposal 2: To ratify the selection of Crowe Chizek and Company LLP to serve as the Bank's auditors for the fiscal year ending December 31, 2007.

— PROPOSAL 3 —

Approval of 2007 Stock Option Plan

The Board of Directors has adopted the Summit Bank 2007 Stock Option Plan (“Plan”). The purpose of the Plan is to promote the long-term success of the Bank and the creation of shareholder value. The Board of Directors believes that the availability of stock options will be a key factor in the ability of the Bank to attract and retain qualified individuals to serve as officers, employees and directors. A copy of the Plan is attached as Appendix D to this Proxy Statement. The following discussion is qualified in its entirety by reference to the Plan.

The Plan authorizes the Bank to grant options that qualify as incentive stock options (“ISO”) under the Internal Revenue Code of 1986 to officers and employees of the Bank and its affiliated companies and nonqualified stock options (“NSOs”) to directors, officers and employees of the Bank and its affiliated companies.

The Plan sets aside 150,000 authorized, but unissued, shares of the Bank’s Common Stock (“Shares”) for grant at an amount per share that is not less than the fair market value of the Bank’s Common Stock on the date each option is granted. If an ISO is granted to an officer or employee of the Bank who, at the time of the grant, owns more than 10 percent of the Bank’s Common Stock, the exercise price of the options must be not less than 110 percent of the fair market value of the Bank’s Common Stock at the time the option is granted. To the extent that the aggregate fair market value of stock with respect to which ISOs are exercisable for the first time by any individual during any calendar year exceeds \$100,000, such options will be treated as NSOs.

Upon receipt of cash or common stock already owned by the optionee and held for at least six months which equals the total consideration for the exercise of a stock option, shares will be issued to the exercising optionee. Upon approval by the Board of Directors, options may also be exercised through a broker-dealer in a “cashless exercise” procedure. Under certain circumstances at the discretion of the Board or the Committee, options may be settled in cash. Options will expire as specified in the Plan, or on such date as the Board of Directors may determine at the time the Bank grants the option; provided, however, an option may not have a term in excess of ten years. At the direction of the FDIC, unexercised options may be forfeited in the event the Bank’s capital falls below minimum regulatory requirements. All options granted pursuant to the Plan become exercisable in full in the event of a change in control with respect to the Bank.

The Board of Directors may amend, suspend or terminate the Plan at any time and for any reason. An amendment of the Plan is subject to shareholder approval only to the extent required by law, regulation or rule.

Unless the Board of Directors terminates the Plan earlier, the Plan will terminate on May 21, 2017. The Bank may not grant any options under the Plan after the termination date, but termination will not affect any option previously granted by the Bank.

The Plan will be administered by a Committee of the Board of Directors. The Committee will have the authority to construe and interpret the Plan; define the terms used therein; prescribe, amend and rescind rules and regulations related to administration of the Plan; select from the eligible class of individuals the persons to whom and the times at which options should be granted, the terms of stock option agreements and the number of shares subject to each option; and make all other determinations necessary or advisable for administration of the Plan. Also, the Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The determinations of the Committee under the Plan will be final and binding on all persons, except the full Board of Directors may take any action that the Committee is authorized to take and may reverse or override any action taken or decision made by the Committee under or with respect to the Plan.

Neither the optionee nor the Bank will incur any federal tax consequences as a result of the grant of an option. The optionee will have no taxable income upon exercising an ISO (except that the alternative minimum tax may apply), and the Bank will receive no deduction when an ISO is exercised. Upon exercising an NSO, the optionee generally must recognize ordinary income equal to the "spread" between the exercise price and the fair market value of the Bank's Common Stock on the date of exercise; the Bank will be entitled to a business expense deduction for the same amount. The option spread at the time an NSO is exercised is subject to income tax withholding. The tax treatment of a disposition of option shares acquired under the Plan depends on how long the shares have been held and on whether such shares were acquired by exercising an ISO or by exercising an NSO. The Bank will not be entitled to a deduction in connection with a disposition of option shares, except in the case of a disposition of shares acquired under an ISO before the applicable ISO holding period has been satisfied.

Recommendation Of The Board Of Directors

The proxy holders intend to vote all proxies they hold in favor of adopting the Summit State Bank 2007 Stock Option Plan. You are urged to vote for Proposal 3: To approve the Summit State Bank 2007 Stock Option Plan.

— PROPOSAL 4 —

Approval of Adjournment of the Meeting for the Purpose of Soliciting Additional Proxies.

The Bank is submitting a proposal for consideration at the Annual Meeting to authorize the named proxies to approve one or more adjournments of the Annual Meeting to solicit additional proxies in the event that there are not sufficient votes in favor of the proposal to adopt the 2007 Stock Option Plan. Even though a quorum may be present at the Annual Meeting, it is possible that the Bank may not have received sufficient votes to approve the adoption of the 2007 Stock Option Plan. In that event, the Bank would need to adjourn or postpone the Annual Meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the Annual Meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to approve the adoption of the 2007 Stock Option Plan. Any other adjournment or postponement of the Annual Meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy. The Board of Directors retains full authority to adjourn the Annual Meeting for any other purpose, including the absence of a quorum, or to postpone the Annual Meeting before it is convened, without the consent of any of the Bank's shareholders. The persons named in the enclosed proxy will vote the shares represented by a duly executed and delivered proxy to approve any such adjournment, unless the proxy is marked otherwise. Accordingly, if a shareholder returns a proxy without contrary instructions, the persons named as proxies will vote to approve any such adjournment. Approval of any such adjournment requires the affirmative vote of the holders of a majority in voting power of the outstanding Common Stock present in person at the Annual Meeting or represented by proxy at the Annual Meeting and entitled to vote thereon. If the Annual Meeting is adjourned or postponed, the Bank is not required to give notice of the time and place of the adjourned or postponed meeting unless the Board of Directors fixes a new record date for the Annual Meeting or if the adjournment is for more than 30 days.

Recommendation Of The Board Of Directors

The Board of Directors recommends that you vote "FOR" the adjournment proposal so that proxies may be used for that purpose, should it become necessary. Properly executed proxies will be voted "FOR" the adjournment proposal, unless otherwise noted on the proxies.

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 conduct governing the conduct of all its employees, officers and directors. The code is available upon written request to Dennis Kelley, Senior Vice President and Chief Financial Officer, 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 2008 Annual Meeting of Shareholders must be received by the Bank no later than December 26, 2007.

The proxies for the 2008 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 9, 2008.

SUMMIT STATE BANK



Nancy Farber
Secretary

Santa Rosa, California
April 23, 2007

Appendix A

Audit Committee Charter

(As adopted by the Board of Directors on June 19, 2006)

I. PURPOSE

The purpose of the Audit Committee of the Board of Directors of Summit State Bank is to (A) assist Board oversight of (a) the integrity of the Bank's financial statements, (b) the Bank's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence, and (d) the performance of the Bank's internal audit function and independent auditors, and (B) prepare the report that the rules of the Federal Deposit Insurance Corporation ("FDIC") require be included in the Bank's annual proxy statement.

II. RESPONSIBILITIES OF AUDIT COMMITTEE

General Responsibilities

The Audit Committee has the specific responsibilities and authority necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which rule is summarized below:

- (i) *responsibilities relating to registered public accounting firms.* The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Bank, and each such registered public accounting firm must report directly to the Audit Committee;
- (ii) *complaints.* The Audit Committee must establish procedures for:
 - i. the receipt, retention, and treatment of complaints received by the Bank regarding accounting, internal accounting controls, or auditing matters; and
 - ii. the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters.
- (iii) *authority to engage advisers.* The Audit Committee has the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.
- (iv) *funding.* The Audit Committee has the authority to expend appropriate corporate funds, as determined by the Audit Committee, for payment of:
 - i. compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Bank;
 - ii. compensation to any advisers employed by the Audit Committee under this Charter; and
 - iii. ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties,

all as described in more detail in the provisions of this Charter.

The Board of Directors recognizes that the Bank's management is responsible for preparing the Bank's financial statements and providing an appropriate system of internal controls, and that independent auditors are responsible for auditing the financial statements and reviewing the Bank's internal controls. In fulfilling these responsibilities, the independent auditors are ultimately accountable to the Audit Committee and management is ultimately accountable to the Audit Committee and the Board of Directors.

Nothing in this Charter should be construed to imply that the Audit Committee is required to provide or does provide any assurance or certification as to the Bank's financial statements or systems of internal controls, or as to its compliance with laws, rules or regulations.

In order to fulfill its oversight responsibility, the Audit Committee must be capable of conducting free and open discussions with management, internal and independent auditors, employees and others regarding the quality of the financial statements and the system of internal controls.

Specific Responsibilities

The specific duties of the Audit Committee shall be as follows:

Independent Auditors

1. Appoint independent auditors, subject, if appropriate, to shareholder ratification, and review and evaluate their performance throughout the year. The evaluation should include the review and evaluation of the lead partner of the independent auditor. In making its evaluation, the audit committee should take into account the opinions of management and the Bank's internal auditors or other personnel responsible for the internal audit function.
2. Replace independent auditors where the Committee deems it appropriate.
3. Review and approve fee arrangements for independent auditors.
4. Ensure the auditor's independence by:
 - (i) requiring that the auditors annually submit to the Audit Committee a formal written statement delineating all relationships between the auditors and the Bank;
 - (ii) actively engaging in a dialogue with the auditors with respect to any disclosed relationships or services that may impact their objectivity and independence, including the matters required by Independence Standards Board Standard No. 1 Independence Discussions with Audit Committees (as it may be modified or supplemented);
 - (iii) reviewing any relationships between the auditors and the Bank, or any other relationship, that may adversely affect the auditors' independence;
 - (iv) reviewing and approving any management consulting engagements or any other non-audit services proposed to be undertaken by such auditors on behalf of the Bank; and
 - (v) setting clear policies defining the circumstances under which the Bank is permitted to hire former employees of the independent auditors.
5. Annually require the auditors to confirm in writing their understanding of the fact that they are ultimately accountable to the Audit Committee.
6. Annually review the auditors' proposed audit plan and approach, as well as staffing and timing of the audit and related matters.
7. Review, at least annually, the auditor's report on its internal quality controls and any material issues and the steps taken and to be taken to deal with issues raised by the independent auditor's internal quality review, peer review, or inquiry by governmental or professional organizations, at any time within the past five years.

8. Obtain from management, review and approve, a description of issues and responses whenever a second opinion is proposed by management to be sought from another outside accountant.
9. Require the auditors to rotate every five years the lead or coordinating audit partner in charge of the Bank's audit and the audit partner responsible for reviewing the audit.
10. Periodically consider the advisability of rotating the independent audit firm to be selected as the Bank's independent auditors. The audit committee should present its conclusions with respect to the independent auditor to the full board.

Financial Statements

11. Review:
 - (i) major issues regarding accounting principles and financial statement presentations;
 - (ii) any significant changes in the Bank's selection or application of accounting principles;
 - (iii) any major issues as to the adequacy of the Bank's internal controls and any special audit steps adopted in light of material control deficiencies;
 - (iv) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
 - (v) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank;
 - (vi) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" or other non-GAAP, information); and
 - (vii) any financial information and earnings guidance provided to rating agencies or otherwise publicly disclosed on a non-selective basis.
12. Require the Bank's auditors to timely report to the Committee:
 - (i) all critical accounting policies and practices to be used;
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the issuer, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the registered public accounting firm; and
 - (iii) other material written communications between the registered public accounting firm and the management of the issuer, such as any management letter or schedule of unadjusted differences.
13. Conduct with the independent auditors a post-audit, pre-issuance review of the Bank's annual financial statements, the auditor's opinion thereon, and any problems, difficulties or disagreements with management encountered by the auditors during the course of the audit, and management's response, including reviewing with the auditor:
 - (i) any restrictions on the scope of the independent auditor's activities or on access to requested information and any significant disagreements with management;
 - (ii) any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise);

- (iii) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement;
 - (iv) any "management" or "internal control" letter issued, or proposed to be issued, by the auditor to the Bank; and
 - (v) the responsibilities, budget and staffing of the Bank's internal audit function.
14. Discuss the quarterly and annual financial statements with the appropriate officers and/or employees of the Bank and with the independent auditors, including the Bank's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
15. Discuss with the auditors the matters required to be discussed by relevant auditing standards, including the quality, and not just the acceptability, of the accounting principles and underlying estimates used in the statements.
16. Discuss with management any disclosure regarding the Bank's critical accounting policies proposed to be included in the Bank's filings with the FDIC.
17. If the Committee finds the annual financial statements acceptable, to recommend to the Board of Directors that they be included in the Bank's annual report on Form 10-K.
18. Prepare a report to the shareholders of the Bank in each proxy statement, as required by the rules of the FDIC.
19. Review and discuss with the Bank's financial management and the independent auditors the quarterly earnings releases (paying particular attention to any use of "pro forma," or "adjusted" or other non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.
20. Review the schedule of unrecorded adjustments to the Bank's financial statements and the reasons underlying the Bank's assessment of the immateriality of such adjustments.
21. Review prior to publication or filing and approve such other Bank financial information, including appropriate regulatory filings and releases that include financial information, as the Committee deems desirable.

Internal Accounting and Control Functions

22. Review the adequacy of the Bank's system of internal accounting and financial control, including its "disclosure controls and procedures" and "internal control over financial reporting," as defined in FDIC Rules 13a-15(e) and 13a-15(f) under the Securities Exchange Act of 1934, and the Chief Executive Officer's and Chief Financial Officer's proposed disclosures and certifications with respect to these matters which are required to be included in the Bank's Annual and Quarterly Reports to the FDIC on Form 10-K and Form 10-Q.
23. Annually review the quality of internal accounting and financial control, the auditor's report or opinion thereon and any recommendations the auditor may have for improving or changing the Bank's internal controls, as well as management's letter in response thereto and any other matters required to be discussed under Statement of Auditing Standards No. 61 (as it may be modified or supplemented).
24. Review management's proposed annual report on internal control over financial reporting and the report of the Bank's auditors which are required to be included in the Bank's 10-K pursuant to rules of the FDIC.

25. Discuss policies with respect to the Bank's risk assessment and risk management, and review the Bank's major financial risk exposures and the steps management has taken and proposes to take to monitor and control such exposures.
26. Recommend to the Board of Directors for appointment and evaluate, in consultation with executive management, the Bank's internal auditor.
27. Review and approve the budgets and staffing for the internal auditor.
28. Annually review the results of the internal auditor's reviews and audits.
29. Review compliance with the Bank's corporate code of business conduct.
30. Review for approval all related party transactions for potential conflict of interest situations. The term "related party transaction" shall refer to transactions required to be disclosed pursuant to FDIC Regulation S-K, Item 404.
31. Review proposed future internal audit plans.

III. Reporting Responsibilities

32. Regularly report its activities, concerns, conclusions and recommendations to the Board of Directors, reviewing with the Board any issues that arise with respect to the quality or integrity of the Bank's financial statements, the Bank's compliance with legal or regulatory requirements, the performance and independence of the Bank's independent auditors, or the performance of the internal audit function.

IV. Authority of Committee

33. The Audit Committee and each of its members may communicate directly and/or privately with the Bank's directors, officers, employees, consultants, agents, internal auditors, independent auditors, attorneys-in-fact, counsel and advisors, and any and all third parties, and require the full cooperation of all such persons, in the performance of the Committee's functions.

34. The Committee may cause an investigation to be made into any matter within the scope of its responsibilities under this Charter as the Committee deems necessary, or as otherwise authorized, requested or directed by the Board or Directors. The Committee may require Bank personnel to assist in any such investigation, and may engage independent resources to assist in such investigations as it deems necessary.

35. The Chair of the Audit Committee, with the prior approval of the Audit Committee, is authorized and empowered to expend corporate funds to retain and secure independent auditors for the Bank and such consultants, advisors, attorneys, investigatory services or other expert advice and assistance, and to fund ordinary administrative expenses of the Audit Committee, as the Audit Committee deems to be necessary or appropriate to carry out its duties under this Charter, including the authority and power to sign, execute and deliver any and all such checks, drafts, vouchers, receipts, notes, documents, contracts and any other instruments whatsoever as the Audit Committee shall deem appropriate, in the name and on behalf of the Bank.

V. Committee Membership

36. The membership of the Audit Committee shall consist of three or more directors each of whom shall:

- (i) have been appointed by the Board of Directors; and
- (ii) have been determined by the Board of Directors to fulfill the requirements for membership on the Committee as provided in the federal securities laws, the rules of the FDIC thereunder and the rules of Nasdaq, as such provisions may be amended from time to time.

37. At least one member of the Audit Committee shall have:

- (i) an understanding of generally accepted accounting principles and financial statements;
- (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (iv) an understanding of internal control over financial reporting; and
- (v) an understanding of audit committee functions; and

shall have acquired such attributes through:

- (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
 - (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
 - (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements;
- or
- (iv) other relevant experience.

38. No member of the Audit Committee, including the Chair, may simultaneously serve on the audit committee of more than two other corporations besides the Bank, unless the Board of Directors determines that such simultaneous service would not impair the director's ability to effectively serve on the Bank's Audit Committee and such determination is disclosed in the Bank's proxy statements relating to its annual meetings of shareholders.

39. The Board of Directors reserves all authority permitted under the rules of the FDIC and the relevant listing authority in connection with any matter referred to in this Charter, including but not limited to the determination of independence of Audit Committee members.

VI. MEETINGS

40. The Audit Committee shall meet as often as necessary to fulfill its functions as determined by the Committee, but no less than four times annually.

41. At least quarterly, the Committee shall hold separate, private meetings without other members of management present, with each of the Bank's Chief Financial Officer, counsel, controller, internal auditor, and the Bank's independent auditor; and, each such person shall have free and direct access to the Committee and any of its members.

42. Prior to the beginning of each fiscal year, the Chair shall draft a proposed schedule of the Committee's activities for the coming year, and the times at which such activities shall occur, including preliminary agendas for each proposed meeting of the Committee, which shall be submitted to the Committee for its review and approval, with such changes as the Committee shall determine to be appropriate.

VII. COMPLAINTS

43. All complaints received by the Committee relating to accounting, internal accounting controls or auditing matters shall be retained and reviewed by the Committee. Upon receipt of a complaint, the Chair of the Committee shall assign the complaint to any one or more members of the Committee (including the Chair) for preliminary review, and may authorize the use or engagement of such counsel, accountants, investigators or other assistance as the Committee shall determine to be appropriate under the circumstances.

44. Management shall retain the original of all such complaints until further notice by the Committee.

45. At least annually, management shall ensure that each employee of the Bank is advised in writing (including by any form of electronic transmission which provides the employee the ability to reproduce a written copy of such transmission) that he or she may submit, on a confidential and anonymous basis, complaints regarding accounting, internal accounting controls, or auditing matters and concerns regarding questionable accounting or auditing matters. The advice shall include the name and business address of the Chair of the Committee and shall inform employees that they should direct their complaints to the Chair, in writing, at such address.

VIII. Annual Performance Evaluation of the Committee

46. The Committee shall conduct an annual self-evaluation of its performance focusing on the quality of the Committee's review of:

- (i) major issues regarding accounting principles and financial statement presentations;
- (ii) any significant changes in the Bank's selection or application of accounting principles;
- (iii) any major issues as to the adequacy of the Bank's internal controls and any special audit steps adopted in light of material control deficiencies;
- (iv) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- (v) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank;
- (vi) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information); and
- (vii) any financial information and earnings guidance provided to analysts and rating agencies.

IX. General

47. Annually review this Audit Committee Charter, and any provisions of the Bank's by-laws which refer to the Audit Committee, and propose to the Board of Directors necessary or appropriate revisions.

Appendix B

Nominating Committee Charter

Purpose. The purpose of the Nominating Committee (Committee) of the Board of Directors (Board) of Summit State Bank (Bank) is to recommend individuals to the Board for nomination as members of the Board and its committees. The Committee shall report to the Board on a regular basis and not less than once a year.

Committee Membership. The Committee shall consist of three or more members of the Board, each of whom must be “independent” under the rules of NASDAQ. The Board shall appoint the Chairperson of the Committee and shall also have responsibility for appointment and removal of Committee members.

Committee Operations. A quorum of the committee shall be two members. The Committee shall meet in person or telephonically at least once a year. The Committee may have in attendance such other members of management and persons as it may deem necessary to provide appropriate information and explanations. The Chairperson of the Committee will report back to the full Board the recommendations of the Committee at the Board meeting immediately following the Committee meeting.

Committee Duties and Responsibilities. The following are the duties and responsibilities of the Committee:

1. Make recommendations to the Board from time to time as to changes that the Committee believes to be desirable to the size of the Board.
2. Regularly review the criteria for the selection of Directors and recommend to the Board any necessary changes.
3. Identify individuals believed to be qualified to become Board members and to recommend to the Board the nominees to stand for election as directors at the annual meeting of shareholders or at a special meeting of shareholders, if applicable.
4. In the case of a vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), the Committee shall recommend to the Board an individual to fill such vacancy.
5. In nominating candidates, the Committee shall take 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.
6. Ensure that potential candidates understand the role of the Board.
7. Identify Board members qualified to fill vacancies on any committee of the Board (including the Committee) and to recommend that the Board appoint the identified member or members to the respective committee.
8. Recommend to the Board the removal of any director, subject to the Bank’s Articles and Bylaws.
9. Conduct an annual evaluation of its own performance.
10. Fulfill any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

Appendix C

Compensation Committee Charter

The Board of Directors of Summit State Bank (Bank) acknowledges the importance of establishing the guidelines and approach for setting compensation paid to its executive officers. Furthermore, the Board of Directors considers executive officer compensation to be directly related to performance and aims to make Summit State Bank's compensation comparable to that of similar-sized financial institutions for similar work performed.

Purpose. Given concerns regarding excessive executive officer compensation and the need for bank directors to establish a clear performance appraisal process and related compensation program, this policy is developed to recognize both the regulatory concerns and the need to relate compensation to general industry standards. The purpose of the Compensation Committee is:

- A. To review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation;
- B. To make recommendations to the Board with respect to non-CEO executive officer compensation, and incentive-compensation and equity-based plans that are subject to Board approval; and
- C. To produce a Compensation Committee report on executive officer compensation as required by the SEC to be included in the Bank's annual proxy statement or annual report on Form 10K filed with the SEC.

Committee Membership. The Committee shall consist of two or more members of the Board, each of whom must be "independent" under the rules of the New York Stock Exchange, Inc. The Board shall appoint the Chairperson of the Committee and shall also have responsibility for appointment and removal of Committee members.

General Objectives. The general objective is to establish a formal performance appraisal process that measures job performance against predetermined, written performance standards and evaluates the officers' performance. Salary and bonuses will be established in consideration of both individual and institution performance, and specific amounts and ranges will be established within general comparable industry standards.

Specific Goals. The specific goals of this policy are as follows:

- A. Provide for annual performance evaluations for each executive officer.
- B. Establish a formal salary and bonus administration program that incorporates the performance results of both the individual and the institution.
- C. Establish a methodology for determining the amount and timing of bonuses.
- D. Ensure compensation paid is directly related to work performed.

Policy Statement. The Board of Directors hereby adopts a Compensation Policy that covers the payment of salaries, bonuses, and/or fees to executive officers. Executive officer positions are

clearly defined in the written job descriptions referred to in this policy. Failure to comply with this policy may result in termination of employment.

Compensation Packages. All executive officers' performance and their compensation packages will be reviewed on an annual basis. Compensation will be commensurate with work performed and level of performance.

At the first board meeting following the annual shareholder meeting, the compensation package for each executive officer will be submitted for review and approval by the Board of Directors. The compensation package for each executive will be submitted by that person's supervisor, with supporting documentation that includes the following:

- Copy of his or her written job description
- Copy of the most recent written performance appraisal made by the person's immediate supervisor, including a determination of achievement vs. previously stated and board-accepted objectives and goals for that executive officer
- Written detail outlining performance objectives and goals for the executive as well as any related departmental or institutional performance goals for the next performance review period
- Written detail of proposed compensation package, including base salary, performance incentives, and potential bonuses
- Estimate of any additional fees to be paid, if applicable

Executive Committee Annual Review Meetings. Job descriptions will clearly define the executive officer's reporting lines, principal accountabilities, and technical skill requirements. At the end of each fiscal year, each executive officer will meet with the Executive Committee of the board to review performance related to the job description and previously agreed-upon performance goals. In addition, the review will cover adherence to the Compensation Policy, management supervision abilities, attitude and commitment, and other related considerations.

At the conclusion of each executive officer's review meeting, a memorandum to that individual's personnel file will be generated indicating the summation of performance, including the accomplishment of specified goals and/or objectives, and recommendations regarding salary increase and/or bonus. In addition, the performance appraisal will include an agreed-upon list of performance goals and objectives for the next 12 months.

Salary Surveys and Comparisons. To ensure that compensation packages to executive officers are competitive, the Executive Committee, with management support, will develop and document a salary survey designed to compare compensation packages paid to executive officers performing similar jobs for similar-sized institutions. Any other fees or compensation paid to executive officers will be based solely on the fair value of services received. A comparison study will be done in such situations to include a survey of compensation rates, detail on services performed, and types of supporting detail. Furthermore, the Board of Directors will document that the services were needed and fairly priced. In general, Summit State Bank will discourage any type of executive officer compensation outside of the approved salary and bonus structure, for either present personnel or recruits.

Bonus Payments. Bonuses will be paid each year, at the direction of the Board of Directors. Bonus payments will be based on the Bank's performance, individual performance vs. expectations, and other objective criteria. Furthermore, the timing of such bonuses paid at year-end is subject to the discretion of the Board of Directors.

Procedure and Documentation. Management is responsible for developing and implementing procedures to ensure proper administration of the Executive Officer Compensation Policy. Management is also responsible for maintaining documentation of compliance with this policy.

Audit/Compliance Reviews. On an annual basis, the audit department will conduct a review of compensation procedures, documentation, and minutes of the Board of Directors meetings and its Executive Committee meetings to test for compliance with this policy. Findings of this audit will be reported directly to the Board of Directors.

Appendix D

SUMMIT STATE BANK 2007 STOCK OPTION PLAN

1. Purpose

The purpose of the Summit State Bank 2007 Stock Option Plan (the “Plan”) is to advance the interests of Summit State Bank (the “Bank”) and its shareholders by providing Key Employees and Directors of the Bank and its Affiliates, upon whose judgment, initiative and efforts the successful conduct of the business of the Bank and its Affiliates largely depends, with an additional incentive to perform in a superior manner as well as to attract people of experience and ability.

2. Definitions

“*Affiliate*” means any “parent corporation” or “subsidiary corporation” of the Bank, as such terms are defined in Section 424(e) or 424(f), respectively, of the Code, or a successor to a parent corporation or subsidiary corporation.

“*Award*” means an Award of Non-Statutory Stock Options and Incentive Stock Options granted under the provisions of the Plan.

“*Beneficiary*” means the person or persons designated by a Participant to receive any benefits payable under the Plan in the event of such Participant’s death. Such person or persons shall be designated in writing on forms provided for this purpose by the Committee and may be changed from time to time by similar written notice to the Committee. In the absence of a written designation, the Beneficiary shall be the Participant’s surviving spouse, if any, or if none, his/her estate.

“*Board*” or “*Board of Directors*” means the board of directors of the Bank, unless otherwise noted herein.

“*Cause*” means personal dishonesty, incompetence, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, or the willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or a final cease-and-desist order, any of which results in a material loss to the Bank or an Affiliate.

“*Change in Control*” a Change in Control shall be deemed to have occurred at such time as (a) any “person” (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Bank representing 50% or more of the combined voting power of the Bank’s outstanding securities, except for any person disclosed in the Bank’s Offering Circular dated July 6, 2006, as the beneficial owner of 5% or more of the Bank’s common stock (“Current 5% Owner”), as well as the heirs, devisees, beneficiaries, estates, successors, affiliates, legal representatives, or distributees of any such Current 5% Owner; or (b) individuals who constitute the Board on the date hereof (the “Incumbent Board”) cease for any reason to constitute at least a majority thereof, *provided* that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors

comprising the Incumbent Board, or whose nomination for election by the Bank's shareholders was approved by the same Nominating Committee serving under an Incumbent Board, shall be considered, for purposes of this clause (b), as though he were a member of the Incumbent Board; or (c) a plan of reorganization, merger, consolidation, or sale of all or substantially all the assets of the Bank or similar transaction in which the Bank is not the surviving corporation occurs; or (d) a proxy statement is distributed soliciting proxies from shareholders of the Bank, by someone other than the then current Board of Directors of the Bank, seeking shareholder approval of a plan of reorganization, merger or consolidation of the Bank, or a similar transaction with one or more corporations, as a result of which the shareholders of the Bank approve such plan and subsequently exchange or convert their outstanding shares of common stock of the Bank into cash or property or securities not issued by the Bank; or (e) a tender offer is made for 50% or more of the voting securities of the Bank and the shareholders owning beneficially or of record 50% or more of the outstanding securities of the Bank have tendered or offered to sell their shares pursuant to such tender offer and such tendered shares have been accepted by the tender offeror, except for any voting securities purchased pursuant to a tender offer by a Current 5% Owner, or the heirs, devisees, beneficiaries, estates, successors, affiliates, legal representatives, or distributees of any such Current 5% Owner.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Committee*” means the committee consisting of either (i) at least two Non-Employee Directors of the Bank, or (ii) the entire Board of the Bank.

“*Common Stock*” means shares of the common stock of the Bank, no par value.

“*Bank*” means Summit State Bank or a successor corporation.

“*Continuous Service*” means employment as a Key Employee without any interruption or termination of such employment. Continuous Service shall also mean a continuation as a member of the Board of Directors following a cessation of employment as a Key Employee. In the case of a Key Employee, employment shall not be considered interrupted in the case of sick leave, military leave or any other approved leave of absence or in the case of transfers between payroll locations of the Bank, its subsidiaries or its successor.

“*Date of Grant*” means the actual date on which an Award is granted by the Committee.

“*Director*” means a member of the Board.

“*Disability*” means a condition where an individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual shall not be considered to be disabled for purposes of this Plan unless he furnishes proof of the existence thereof.

“*Effective Date*” means the date of, or a date determined by the Board of Directors following, approval of the Plan by the Bank's shareholders.

“*Fair Market Value*” means, when used in connection with the Common Stock on a certain date, the reported closing price of the Common Stock as reported on the Nasdaq stock market (as published in *The Wall Street Journal*, if published) on the day prior to such date, or if the Common Stock was not traded on the day prior to such date then, on the next preceding day on which the Common Stock was traded; *provided, however*, that if the Common Stock is not reported on the Nasdaq stock market, Fair Market Value shall mean the average sale price of all

shares of Common Stock sold during the 30-day period immediately preceding the date on which such stock option was granted, and if no shares of stock have been sold within such 30-day period, the average sale price of the last three sales of Common Stock sold during the 90-day period immediately preceding the date on which such stock option was granted. In the event Fair Market Value cannot be determined in the manner described above, then Fair Market Value shall be determined by the Committee. The Committee is authorized, but is not required, to obtain an independent appraisal to determine the Fair Market Value of the Common Stock.

“*Incentive Stock Option*” means an Option granted by the Committee to a Key Employee, which Option is designated as an Incentive Stock Option pursuant to Section 9.

“*Key Employee*” means any person who is currently employed by the Bank or an Affiliate who is chosen by the Committee to participate in the Plan.

“*Non-Employee Director*” means, for purposes of the Plan, a Director who (a) is not employed by the Bank or an Affiliate; (b) does not receive compensation directly or indirectly as a consultant (or in any other capacity than as a Director) greater than \$60,000; (c) does not have an interest in a transaction requiring disclosure under Item 404(a) of Regulation S-K; or (d) is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K.

“*Non-Statutory Stock Option*” means an Option granted by the Committee to a Participant and such Option is either (a) not designated by the Committee as an Incentive Stock Option, or (b) fails to satisfy the requirements of an Incentive Stock Option as set forth in Section 422 of the Code and the regulations thereunder.

“*Option*” means an Award granted under Section 8 or Section 9.

“*Participant*” means a Key Employee or Director of the Bank or its Affiliates who receives or has received an Award under the Plan.

“*Termination for Cause*” means the termination of employment caused by the individual’s personal dishonesty, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, or the willful violation of any law, rule or regulation (other than traffic violations or similar offenses), or a final cease-and-desist order, any of which results in material loss to the Bank or one of its Affiliates.

3. Administration of the Plan

(a) *Role of the Committee.* The Plan shall be administered by the Committee. The interpretation and construction by the Committee of any provisions of the Plan or of any Option granted hereunder shall be final and binding. The Committee shall act by vote or written consent of a majority of its members. Subject to the express provisions and limitations of the Plan, the Committee may adopt such rules and procedures as it deems appropriate for the conduct of its affairs. The Committee shall report its actions and decisions with respect to the Plan to the Board at appropriate times, but in no event less than one time per calendar year.

(b) *Role of the Board.* The members of the Committee shall be appointed or approved by, and will serve at the pleasure of, the Board of Directors of the Bank. The Board may in its discretion from time to time remove members from, or add members to, the Committee. The Board shall have all of the powers allocated to it in the Plan, may take any action under or with respect to

the Plan that the Committee is authorized to take, and may reverse or override any action taken or decision made by the Committee under or with respect to the Plan.

(c) *Plan Administration Restrictions.* All transactions involving a grant, award or other acquisitions from the Bank shall:

(i) be approved by the Bank's full Board or by the Committee;

(ii) be approved, or ratified, in compliance with Section 14 of the Exchange Act, by either: the affirmative vote of the holders of a majority of the shares present, or represented and entitled to vote at a meeting duly held in accordance with the laws under which the Bank is incorporated; or the written consent of the holders of a majority of the securities of the issuer entitled to vote, *provided* that such ratification occurs no later than the date of the next annual meeting of shareholders; or

(iii) result in the acquisition of Common Stock that is held by the Recipient for a period of six months following the date of such acquisition.

(d) *Limitation on Liability.* No member of the Board or the Committee shall be liable for any determination made in good faith with respect to the Plan or any Awards granted under it. If a member of the Board or the Committee is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of anything done or not done by him in such capacity under or with respect to the Plan or the Bank shall indemnify such member against expense (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he/she acted in good faith and in a manner he/she reasonably believed to be in the best interests of the Bank and, with respect to any criminal action or proceeding, had no reasonable cause to believe his/her conduct was unlawful.

Notwithstanding anything herein to the contrary, and subject to any adjustment that may be made pursuant to Section 15 hereof, once an Option has been awarded at Fair Market Value, the Committee shall not have authority to reprice such Option so that the exercise price of the Option shall be less than the exercise price on the Date of Grant.

4. Types of Awards

Awards under the Plan may be granted in any one or a combination of: (a) Incentive Stock Options; and (b) Non-Statutory Stock Options.

5. Stock Subject to the Plan

Subject to adjustment as provided in Section 15, the maximum number of shares reserved for issuance under the Plan is 150,000 shares. Shares issued under the Plan may be issued by the Bank from authorized but unissued shares or shares acquired by the Bank in open market purchases. The maximum number of Options that may be awarded to a Key Employee is 45,000 shares. The maximum number of shares that may be awarded pursuant to the exercise of Incentive Stock Options is 150,000 shares. To the extent that Options granted under the Plan are exercised, the shares covered will be unavailable for future grants under the Plan; to the extent that Options granted under the Plan terminate, expire or are forfeited without having been exercised, shares under such Options shall be available for subsequent Awards under this Plan.

Any shares that are issued by the Bank, and any Awards that are granted by, or become obligations of, the Bank, through the assumption by the Bank or an affiliate thereof, or in substitution for, outstanding Awards previously granted by an acquired company, shall not be counted against the shares available for issuance under the Plan.

6. Eligibility

Key Employees of the Bank and its Affiliates shall be eligible to receive Incentive Stock Options and Non-Statutory Stock Options under the Plan. Directors of the Bank and its Affiliates shall be eligible to receive Non-Statutory Stock Options under the Plan.

7. General Terms and Conditions of Options

The Committee shall have full and complete authority and discretion except as expressly limited by the Plan, to grant Options and to provide the terms and conditions (which need not be identical among Participants) thereof. In particular, the Committee shall prescribe the following terms and conditions: (i) the Exercise Price of any Option, which shall not be less than the Fair Market Value per share on the Date of Grant, (ii) the number of shares of Common Stock subject to, and the expiration date of, any Option, which expiration date shall not exceed ten years from the Date of Grant, (iii) the manner, time and rate (cumulative or otherwise) of exercise of such Option, and (iv) the restrictions, if any, to be placed upon such Option or upon shares of Common Stock which may be issued upon exercise of such Option. No awards shall vest at a rate in excess of 20% per year beginning one year from the Date of Grant.

8. Non-Statutory Stock Options

The Committee may, from time to time, grant Non-Statutory Stock Options to eligible Key Employees and Directors. Non-Statutory Stock Options granted under the Plan, including Non-Statutory Stock Options granted in exchange for and upon surrender of previously granted Awards, are subject to the terms and conditions set forth in this Section.

(a) *Option Agreement.* Each Option shall be evidenced by a written option agreement between the Bank and the Participant specifying the number of shares of Common Stock that may be acquired through its exercise and containing such other terms and conditions that are not inconsistent with the terms of the Plan.

(b) *Price.* The purchase price per share of Common Stock deliverable upon the exercise of each Non-Statutory Stock Option shall be the Fair Market Value of the Common Stock of the Bank on the Date of Grant. Shares may be purchased only upon full payment of the purchase price in one or more of the manners set forth in Section 11 hereof, as determined by the Committee.

(c) *Vesting.* Subject to Section 7 hereof, a Non-Statutory Stock Option granted under the Plan shall vest in a Participant at the rate or rates determined by the Committee. No Options shall become vested in a Participant unless the Participant maintains Continuous Service until the vesting date of such Option, except as set forth herein. The Committee may accelerate the time at which any Non-Statutory Stock Option may be exercised in whole or in part.

(d) *Exercise of Options.* A vested Option may be exercised from time to time, in whole or in part, by delivering a written notice of exercise to the President or Chief Executive Officer of the Bank, or his/her designee. Such notice shall be irrevocable and must be accompanied by full payment of the purchase price in cash or shares of Common Stock at the Fair Market Value of such

shares, determined on the exercise date in the manner described in Section 2 hereof. If previously acquired shares of Common Stock are tendered in payment of all or part of the exercise price, the value of such shares shall be determined as of the date of such exercise.

(e) *Amount of Awards.* Subject to Section 7 hereof, Non-Statutory Stock Options may be granted to any Participant in such amounts as determined by the Committee. In granting Non-Statutory Stock Options, the Committee shall consider such factors as it deems relevant, which factors may include, among others, the position and responsibility of the Participant, the length and value of his/her service to the Bank or the Affiliate, the compensation paid to the Participant, and the Committee's evaluation of the performance of the Bank or the Affiliate, according to measurements that may include, among others, key financial ratios, level of classified assets and independent audit findings.

(f) *Term of Options.* Unless the Committee determines otherwise, the term during which Non-Statutory Stock Options may be exercised shall not exceed ten years from the Date of Grant. In no event shall a Non-Statutory Stock Option be exercisable in whole or in part more than ten years from the Date of Grant.

(g) *Termination of Continuous Service.* Upon the termination of a Participant's Continuous Service, for any reason other than death, Disability, Termination for Cause, termination following a Change in Control (other than for Cause following a Change in Control), the Participant's Non-Statutory Stock Options shall be exercisable only as to those shares that were vested on the date of termination and only for one year following termination. In the event of Termination for Cause, all rights under a Participant's Non-Statutory Stock Options shall expire upon termination. In the event of the Participant's termination of Continuous Service due to death, Disability, or following a Change in Control, all Non-Statutory Stock Options held by the Participant, whether or not vested at such time, shall vest and become exercisable by the Participant or his/her legal representative or beneficiaries for one year following the date of such termination, death or cessation of employment, *provided* that in no event shall the period extend beyond the expiration of the Non-Statutory Stock Option term.

(h) *Transferability.* In the discretion of the Board, all or any Non-Statutory Stock Options granted hereunder may be transferable by the Participant once the Option has vested in the Participant, *provided, however*, that the Board may limit the transferability of such Option or Options to a designated class or classes of persons.

9. Incentive Stock Options

The Committee may, from time to time, grant Incentive Stock Options to Key Employees. The total number of Incentive Stock Options granted pursuant to the Plan shall be up to 150,000 and shall be subject to the following terms and conditions:

(a) *Option Agreement.* Each Option shall be evidenced by a written option agreement between the Bank and the Key Employee specifying the number of shares of Common Stock that may be acquired through its exercise and containing such other terms and conditions that are consistent with the terms of the Plan.

(b) *Price.* Subject to Section 15 hereof and Section 422 of the Code, the purchase price per share of Common Stock deliverable upon the exercise of each Incentive Stock Option shall be not less than 100% of the Fair Market Value of the Bank's Common Stock on the date the Incentive

Stock Option is granted. However, if a Key Employee owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Bank or its Affiliates (or under Section 424(d) of the Code is deemed to own stock representing more than 10% of the total combined voting power of all classes of stock of the Bank or its Affiliates by reason of the ownership of such classes of stock, directly or indirectly, by or for any brother, sister, spouse, ancestor or lineal descendent of such Key Employee, or by or for any corporation, partnership, estate or trust of which such Key Employee is a shareholder, partner or Beneficiary), the purchase price per share of Common Stock deliverable upon the exercise of each Incentive Stock Option shall not be less than 110% of the Fair Market Value of the Bank's Common Stock on the date the Incentive Stock Option is granted. Shares may be purchased only upon payment of the full purchase price. Payment of the purchase price may be made, in whole or in part, through the surrender of shares of the Common Stock of the Bank at the Fair Market Value of such shares determined on the exercise date.

(c) *Vesting.* Subject to Section 7 hereof, Incentive Stock Options awarded to Key Employees shall vest at the rate or rates determined by the Committee. No Incentive Stock Option shall become vested in a Participant unless the Participant maintains Continuous Service until the vesting date of such Option, except as set forth herein.

(d) *Exercise of Options.* Vested Options may be exercised from time to time, in whole or in part, by delivering a written notice of exercise to the President or Chief Executive Officer of the Bank, or his/her designee. Such notice is irrevocable and must be accompanied by full payment of the exercise price in cash or shares of Common Stock at the Fair Market Value of such shares determined on the exercise date.

The Options comprising each installment may be exercised in whole or in part at any time after such installment becomes vested, *provided* that the amount able to be first exercised in a given year is consistent with the terms of Section 422 of the Code. To the extent required by Section 422 of the Code, the aggregate Fair Market Value (determined at the time the Option is granted) of the Common Stock for which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Bank and its Affiliates) shall not exceed \$100,000.

The Committee may, in its sole discretion, accelerate the time at which any Incentive Stock Option may be exercised in whole or in part, *provided* that it is consistent with the terms of Section 422 of the Code. Notwithstanding the above, in the event of a Change in Control of the Bank, all Incentive Stock Options that have been awarded shall become immediately exercisable, *provided, however,* that if the aggregate Fair Market Value (determined at the time the Option is granted) of Common Stock for which Options are exercisable as a result of a Change in Control, together with the aggregate Fair Market Value (determined at the time the Option is granted) of all other Common Stock for which Incentive Stock Options become exercisable during such year, exceeds \$100,000, then the first \$100,000 of Incentive Stock Options (determined as of the Date of Grant) shall be exercisable as Incentive Stock Options and any excess shall be exercisable as Non-Statutory Stock Options (but shall remain subject to the provisions of this Section to the extent permitted).

(e) *Amounts of Awards.* Subject to Section 7 hereof, Incentive Stock Options may be granted to any eligible Key Employee in such amounts as determined by the Committee; *provided* that the amount granted is consistent with the terms of Section 422 of the Code. In granting Incentive Stock Options, the Committee shall consider such factors as it deems relevant, which factors may include, among others, the position and responsibilities of the Key Employee, the length

and value of his/her service to the Bank, or the Affiliate, the compensation paid to the Key Employee and the Committee's evaluation of the performance of the Bank, or the Affiliate, according to measurements that may include, among others, key financial ratios, levels of classified assets, and independent audit findings. The provisions of this subsection (e) shall be construed and applied in accordance with Section 422(d) of the Code and the regulations, if any, promulgated thereunder.

(f) *Terms of Options.* The term during which each Incentive Stock Option may be exercised shall be determined by the Committee, provided, however, in no event shall an Incentive Stock Option be exercisable in whole or in part more than 10 years from the Date of Grant. If any Key Employee, at the time an Incentive Stock Option is granted to him, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Bank or its Affiliate (or, under Section 424(d) of the Code, is deemed to own stock representing more than 10% of the total combined voting power of all classes of stock, by reason of the ownership of such classes of stock, directly or indirectly, by or for any brother, sister, spouse, ancestor or lineal descendent of such Key Employee, or by or for any corporation, partnership, estate or trust of which such Key Employee is a shareholder, partner or Beneficiary), the Incentive Stock Option granted to him shall not be exercisable after the expiration of five years from the Date of Grant.

(g) *Termination of Continuous Service.* Upon the termination of a Key Employee's Continuous Service for any reason other than death, Disability, Termination for Cause or termination following a Change in Control (other than for Cause following a Change in Control) the Key Employee's Incentive Stock Options shall be exercisable only as to those shares that were vested and exercisable by such Key Employee at the date of termination for a period of three months following termination. Upon termination of a Key Employee's Continuous Service due to death or Disability or following a Change in Control, all Incentive Options held by a Key Employee, whether or not vested at such time, shall vest and become exercisable by the Participant or his/her legal representative or beneficiaries for one year following the date of such termination, death or cessation of Continuous Service, *provided* that in no event shall the period extend beyond the expiration of the Stock Option term, and *provided, further*, that, except in the event of death or Disability, such Option shall not be eligible for treatment as an Incentive Stock Option in the event such Option is exercised more than three months following termination. In the event of Termination for Cause, all rights under the Incentive Stock Options shall expire upon termination.

In order to obtain Incentive Stock Option treatment for Options exercised by heirs or devisees of an Optionee, the Optionee's death must have occurred while employed or within three months of termination of Continuous Service.

(h) *Transferability.* No Incentive Stock Option granted under the Plan is transferable except by will or the laws of descent and distribution and is exercisable during his/her lifetime only by the Key Employee to which it is granted.

(i) *Compliance with Code.* The options granted under this Section are intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Code, but the Bank makes no warranty as to the qualification of any Option as an Incentive Stock Option within the meaning of Section 422 of the Code. If an Option granted hereunder fails for whatever reason to comply with the provisions of Section 422 of the Code, and such failure is not or cannot be cured, such Option shall be a Non-Statutory Stock Option.

10. Surrender of Option

In the event of a Participant's termination of employment as a result of death or Disability, the Participant (or his/her personal representative(s), heir(s), or devisee(s)) may, in a form acceptable to the Committee, make application to surrender all or part of the Options held by such Participant in exchange for a cash payment from the Bank of an amount equal to the difference between the Fair Market Value of the Common Stock on the date of termination of employment and the exercise price per share of the Option. Whether the Bank accepts such application or determines to make payment, in whole or part, is within its absolute and sole discretion, it being expressly understood that the Bank is under no obligation to any Participant whatsoever to make such payments. In the event that the Bank accepts such application and determines to make payment, such payment shall be in lieu of the exercise of the underlying Option and such Option shall cease to be exercisable.

11. Alternate Option Payment Mechanism

The Committee has sole discretion to determine what form of payment it will accept for the exercise of an Option. The Committee may indicate acceptable forms in the agreement with the Participant covering such Options or may reserve its decision to the time of exercise. No Option is to be considered exercised until payment in full is accepted by the Committee or its agent.

(a) *Cash Payment.* The exercise price may be paid in cash or by certified check. To the extent permitted by law, the Committee may permit all or a portion of the exercise price of an Option to be paid through borrowed funds.

(b) *Cashless Exercise.* Subject to vesting requirements, if applicable, a Participant may engage in a "cashless exercise" of the Option. Upon a cashless exercise, the Participant shall give the Bank written notice of the exercise of the Option together with an order to a registered broker-dealer or equivalent third party, to sell part or all of the Common Stock subject to the Option and to deliver enough of the proceeds to the Bank to pay the Option exercise price and any applicable withholding taxes. If the Participant does not sell the Common Stock subject to the Option through a registered broker-dealer or equivalent third party, the Participant may give the Bank written notice of the exercise of the Option and the third party purchaser of the Common Stock subject to the Option shall pay the Option exercise price plus applicable withholding taxes to the Bank.

(c) *Exchange of Common Stock.* The Committee may permit payment of the option exercise price by the tendering (or constructively tendering) of previously acquired shares of Common Stock. All shares of Common Stock tendered in payment of the exercise price of an Option shall be valued at the Fair Market Value of the Common Stock. No tendered shares of Common Stock which were acquired by the Participant upon the previous exercise of an Option or as awards under a stock award plan, if any, shall be accepted for exchange unless the Participant has held such shares (without restrictions imposed by said plan or award) for at least six months prior to the exchange.

12. Rights of a Stockholder

A Participant shall have no rights as a shareholder with respect to any shares covered by a Non-Statutory and/or Incentive Stock Option until the date of issuance of a stock certificate for such shares. Nothing in the Plan or in any Award granted confers on any person any right to continue in the employ of the Bank or its Affiliates, or interferes in any way with the right of the

Bank or its Affiliates to terminate his/her services as an officer or employee or otherwise at any time.

13. Agreement with Participants

Each Award of Options will be evidenced by a written agreement, executed by the Participant and the Bank or its Affiliates that describes the conditions for receiving the Awards, including the date of Award, the purchase price, applicable periods, and any other terms and conditions as may be required by the Board or applicable securities laws.

14. Designation of Beneficiary

A Participant may, with the consent of the Committee, designate a person or persons to receive, in the event of death, any Option to which he/she would then be entitled. Such designation will be made upon forms supplied by and delivered to the Bank and may be revoked in writing. If a Participant fails effectively to designate a Beneficiary, then his/her estate will be deemed to be the Beneficiary.

15. Dilution and Other Adjustments

In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, pro rata return of capital to all shareholders, recapitalization, or any merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares, without receipt or payment of consideration by the Bank, the Committee will make such adjustments to previously granted Awards, to prevent dilution or enlargement of the rights of the Participant, including any or all of the following:

- (a) adjustments in the aggregate number or kind of shares of Common Stock that may be awarded under the Plan;
- (b) adjustments in the aggregate number or kind of shares of Common Stock covered by Awards already made under the Plan; or
- (c) adjustments in the purchase price of outstanding Incentive and/or Non-Statutory Stock Options.

No such adjustments may, however, materially change the value of benefits available to a Participant under a previously granted Award. With respect to Incentive Stock Options, no such adjustment shall be made if it would be deemed a “modification” of the Award under Section 424 of the Code.

16. Effect of a Change in Control on Option Awards

In the event of a Change in Control, the Committee and the Board of Directors will take one or more of the following actions to be effective as of the date of such Change in Control:

- (a) provide that such Options shall be assumed, or equivalent options shall be substituted (“Substitute Options”) by the acquiring or succeeding corporation (or an affiliate thereof), provided that: (1) any such Substitute Options exchanged for Incentive Stock Options shall meet the requirements of Section 424(a) of the Code, and (2) the shares of stock issuable upon the exercise of such Substitute Options shall be registered in accordance

with the Securities Act of 1933, as amended (“1933 Act”) or such securities shall be exempt from such registration in accordance with Sections 3(a)(2) or 3(a)(5) of the 1933 Act, (collectively, “Registered Securities”), or in the alternative, and in the sole discretion of the Bank, if the securities issuable upon the exercise of such Substitute Options shall not constitute Registered Securities, then the Participant will receive upon consummation of the Change in Control a cash payment for each Option surrendered equal to the difference between the (1) fair market value of the consideration to be received for each share of Common Stock in the Change in Control times the number of shares of Common Stock subject to such surrendered Options, and (2) the aggregate exercise price of all such surrendered Options; or

(b) in the event of a transaction under the terms of which the holders of Common Stock will receive upon consummation thereof a cash payment (the “Merger Price”) for each share of Common Stock exchanged in the Change in Control transaction, make or provide for a cash payment to the Participants equal to the difference between (1) the Merger Price times the number of shares of Common Stock subject to such Options held by each Participant (to the extent then exercisable at prices not in excess of the Merger Price), and (2) the aggregate exercise price of all such surrendered Options.

17. Withholding

There may be deducted from each distribution of cash and/or Common Stock under the Plan the minimum amount of any federal or state taxes, including payroll taxes, that are applicable to such supplemental taxable income and that are required by any governmental authority to be withheld. Shares of Common Stock will be withheld where required from any distribution of Common Stock.

18. Amendment of the Plan

The Board may at any time, and from time to time, modify or amend the Plan in any respect, or modify or amend an Award received by Participants; provided, however, that no such termination, modification or amendment may affect the rights of a Participant, without his/her consent, under an outstanding Award.

19. Effective Date of Plan

The Plan shall become effective upon the date of approval of the Plan by the Bank’s shareholders.

20. Termination of the Plan

The right to grant Awards under the Plan will terminate upon the earlier of (i) 10 years after the Effective Date, or (ii) the date on which the exercise of Options equaling the maximum number of shares reserved under the Plan occurs. The Board may suspend or terminate the Plan at any time, *provided* that no such action will, without the consent of a Participant, adversely affect his/her rights under a previously granted Award.

21. Applicable Law

This Plan, the Awards, all documents evidencing Awards and all other related documents shall be governed by, and will be construed and administered in accordance with the laws of the State of California, except to the extent that federal law shall apply.