

# SUMMIT STATE BANK

June 14, 2018

Dear Shareholder:

We are pleased to enclose our 2017 Annual Report, Notice of 2018 Annual Meeting, proxy statement and form of proxy.

You are cordially invited to attend the 2018 Annual Meeting of Shareholders, which will be held at 10:30 a.m. on Monday, July 23, 2018, at the Vintners Inn, 4350 Barnes Road, Santa Rosa, California.

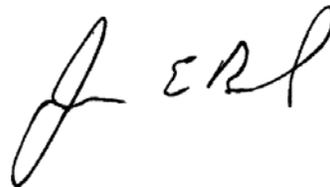
The accompanying Notice of Annual Meeting and proxy statement provide information pertaining to the matters to be considered and acted upon at the Meeting. If you have questions regarding the information included in the Bank's 2017 Annual Report, please contact Dennis Kelley, the Bank's Chief Financial 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,



Allan J. Hemphill  
Chairman



James E. Brush  
President and Chief Executive Officer

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

MEMBER FDIC

# SUMMIT STATE BANK

## Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Summit State Bank will be held at the Vintners Inn, 4350 Barnes Road, Santa Rosa, California on Monday, July 23, 2018, 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:

Jeffery B. Allen  
James E. Brush  
Josh C. Cox, Jr.  
Bridget M. Doherty  
Todd R. Fry

Allan J. Hemphill  
Richard E. Pope  
Nicholas J. Rado  
Marshall T. Reynolds  
John W. Wright

2. To ratify the selection of Moss Adams LLP, independent certified public accountants, to serve as the Bank's auditors for the fiscal year ending December 31, 2018.
3. To consider and transact such other business as may properly be brought before the meeting.

Shareholders of record at the close of business on June 4, 2018 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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**

A handwritten signature in black ink that reads "Barbara Gradman". The signature is written in a cursive, flowing style.

Barbara Gradman  
Corporate Secretary  
June 14, 2018  
Santa Rosa, California

**Important Notice About the Availability of Proxy Materials  
for the Annual Meeting of Shareholders to be held July 23, 2018.**

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

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

**PROXY STATEMENT  
OF  
SUMMIT STATE BANK**

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

This proxy statement is furnished in connection with the solicitation of proxies to be used by the Board of Directors of Summit State Bank (the “Bank”) at the Annual Meeting of Shareholders of the Bank to be held at the Vintners Inn, 4350 Barnes Road, Santa Rosa, California, on Monday, July 23, 2018, 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 June 14, 2018.

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 accordance with the recommendations of the Board of Directors with respect to each proposal. The proxy will also authorize 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 as of the date of this proxy statement that may properly be presented for action at the Meeting and may include action with respect to adjournments and other procedural matters pertaining to the conduct of the Meeting and election of any person to any office for which a bona fide nominee is named herein, if such nominee is unable to serve or for good cause will not serve. A proxy will not, however, be voted in favor of an adjournment for the purpose of soliciting additional proxies for any proposal on which the proxy specifies a vote “against” or “withhold.”

The enclosed proxy is being solicited by the Bank’s Board of Directors and the cost of the solicitation is being borne by the Bank. The principal solicitation of proxies is being made by mail, although additional solicitation may be made by telephone, telegraph, facsimile or personal visits by directors, officers and employees of the Bank, but they will receive no additional compensation for doing so.

## **Purpose of the Meeting**

The Meeting is being held for the following purposes:

1. To elect 10 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 Moss Adams LLP, independent certified public accountants, to serve as the Bank's auditors for the fiscal year ending December 31, 2018.
3. 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 June 4, 2018 (the "Record Date") are entitled to notice of and to vote at the Meeting. As of such date, the Bank had 6,066,475 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, 10, multiplied by the number of shares 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 one or more Board candidates unless such candidates' names 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 proxy holders 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.

The presence at any meeting of the shareholders, in person or by proxy, of the persons entitled to vote a majority of the voting shares of the Bank shall constitute a quorum for the transaction of business. In the election of directors, the 10 candidates receiving the highest number of votes will be elected. The ratification of the selection of independent accountants requires the affirmative vote of a majority of the Bank's shares represented and voting at the Meeting.

If you hold your shares of our common stock in "street name" (that is, through a bank, broker or other agent or nominee) and you fail to instruct your bank, broker or other agent or nominee as to how to vote your shares of common stock, your bank, broker or other agent or nominee may, in its discretion, vote your shares "FOR" the ratification of the selection of

independent accountants, but may not vote in the election of directors. It is therefore important that you provide instructions to your bank, broker or other agent or nominee if your shares are held by such person, so that your vote with respect to all the proposals is counted. Broker non-votes (i.e., shares held by brokers or nominees which are represented at the Meeting but with respect to which the broker or nominee is not authorized to vote on a particular proposal) and abstentions will not be counted, except for quorum purposes.

Broker non-votes and abstentions will have no effect on the election of directors. With respect to the ratification of the selection of independent accountants, if the number of shares voted in favor constitutes a majority of the required quorum, broker non-votes and abstentions will have no effect on the matter. However, if not, broker non-votes and abstentions will have the same effect as a vote against the matter.

### **Principal Shareholders**

As of the record date, 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:

<b><u>Name and Address of Beneficial Owner</u></b>	<b><u>Amount of Beneficial Ownership</u></b>	<b><u>Percent of Class</u></b>
Marshall T. Reynolds <sup>(1)</sup>	859,947	14.1%

(1) Includes 2,500 shares of common stock purchasable under vested stock options as of April 25, 2018. Mr. Reynolds' business address is c/o Summit State Bank, 500 Bicentennial Way, Santa Rosa, California 95403.

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

To the Bank's knowledge and based solely on a review of the copies of reports furnished to the Bank and written representations that no other reports were required, during the fiscal year ended December 31, 2017, all Section 16(a) filing requirements were filed timely by the Bank's officers and directors, except that (i) Director Jeffery Allen filed two late Form 4s relating to stock purchase transactions, (ii) President and Chief Executive Officer James Brush filed late three Form 4s relating to stock purchase transactions, (iii) Director Ronald Metcalfe filed late one Form 4 relating to a stock sale transaction, (iv) Director Marshall Reynolds filed late one Form 4 relating to a stock sale transaction.

## **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 affect 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 10 nominees receiving the highest number of votes at the Meeting will be elected.

### **Nominees for Director**

The persons named below have been nominated by the current Board of Directors for election as directors to serve until the next Annual Meeting and until their successors are duly elected and qualified. For information pertaining to stock ownership of each of the nominees, reference can be made to the “Security Ownership of Management” section of this proxy statement. The Board of Directors has determined that all directors except James E. Brush, the Bank’s President and Chief Executive Officer, 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</u>	<u>Principal Occupation, Business Experience During Past Five Years and Other Information</u>
Jeffery B. Allen	59	Director	2013	Since 1980, President of Allen Land Design, a design-build landscape development company, and in 2004 co-founded American Bio Diesel/Community Fuels, which operates a bio-fuel refinery in Encinitas, California. Prior thereto, he founded Muchas Grasses, a company that evolved into the largest resource of decorative grasses in the State of California. The Board’s primary reasons for determining that he should serve as a Director are his representation and knowledge of the Sonoma County community and ecologically sound landscape architecture industry.
James E. Brush	65	President /CEO and Director	2009	Appointed President and CEO of Summit State Bank on April 18, 2016. Director of the Bank since 2009. Previously a business consultant. Member of the Board of Access Healdsburg/MyHbg.tv, and Chairman of the Sonoma County Assessor’s Appeals Board. Active CPA license for 25 years through 2003. The Board’s primary reason for determining that he should serve as a Director is his knowledge of the wine and commercial real estate industries in the Sonoma County community.
Josh C. Cox, Jr.	76	Director	2011	Principal and owner of Josh Cox & Associates, a consulting firm focused on bank management and profitability enhancement. Chief Executive Officer and Director of numerous financial institutions since 1972. Senior Vice President of Summit State Bank from April 2006 to May 2007. The Board’s primary reason for determining that he should serve as a Director is his knowledge of bank administration and lending.
Bridget M. Doherty	39	Director	2016	Shareholder and co-owner of Encore Events Rentals and General Manager of Cal-West Rentals, Inc. since 2000. Cal-West Rentals, Inc. is a family-owned and operated, full service equipment rental company that serves contractors, homeowners, and ranchers all over the North Bay Area. Encore Events Rentals is a party division that serves the rental needs of the event industry. Member of the Corazon Healdsburg board. Past board member for the American Rental Association. The Board’s primary reasons for determining that she should serve as a Director is her representation and knowledge of the local Sonoma County business community.

<u>Name</u>	<u>Age</u>	<u>Position With Bank</u>	<u>Director Since</u>	<u>Principal Occupation, Business Experience During Past Five Years and Other Information</u>
Todd R. Fry	52	Director	2000	Chief Accounting Officer of Installed Building Products, Inc., a building products supplier and installer company, since 2014. Formerly the Chief Financial Officer of Champion Industries, Inc., a commercial printing, office supply and retail office furniture company, since 1999. The Board's primary reason for determining that he should serve as a Director is his knowledge of finance and accounting.
Allan J. Hemphill	79	Director / Chairman	1999	President of Hemphill and Associates, a winery consulting and management firm, since 1999; President of Laguna Custom Cellars, Inc., a winery venture capital firm, since 1999; President of Associated Vintage Group, a winery service company, from 1993 to 1999. The Board's primary reason for determining that he should serve as a Director is his knowledge of the local wine industry.
Richard E. Pope	72	Director	2013	Environmental Planning and Development Consultant for SOMO LIVING LLC. the developer of the first One Planet master planned community in Northern California. SOMO LIVING LLC. is a real estate development, property management, and commercial construction company that operates in Northern California. Co-founder of BrightHaven, a nonprofit Animal Sanctuary, and awarded the Jefferson Award for Public Service in 2013. The Board's primary reason for determining that he should serve as a Director is his knowledge of the Sonoma County community, real estate development and his extensive business experience.
Nicholas J. Rado	67	Director	2009	President of Rado Consulting Services since November 2011. This business concentrates on accounting, job costing and Workers' Compensation insurance for the general engineering construction business. Vice President and CFO of North Bay Construction since 1991 with an engineering background and extensive financial operations experience. Past board member of the Engineering Contractors Association for 18 years and honored as Contractor of the Year in 1991 and 1996. He contributes extensively to the Petaluma community, including service on the Board of the Petaluma Boys & Girls Club. The Board's primary reasons for determining that he should serve as a Director are his representation and knowledge of the Petaluma community and construction industry.
Marshall T. Reynolds	81	Director	1998	Since its inception in July 2007, Chairman of the Board of Directors of First Guaranty Bancshares, Inc. a \$1.5 billion bank holding company headquartered in Hammond, Louisiana. Chairman of the Board of Directors of First Guaranty Bank, the wholly owned subsidiary of First Guaranty Bancshares, Inc., since May 1996. Chairman of the Board of Champion Industries, Inc. a holding company for commercial printing and office products companies since 1992. Chief Executive Officer of Champion Industries, Inc. from 1992 to 2016. President of Champion Industries, Inc. from December 1992 to September 2000. President and general manager of The Harrah and Reynolds Corporation, predecessor of Champion Industries, Inc., from 1964 (and sole shareholder from 1972) to present. Director (from 1983 to November 1993) and Chairman of the Board of Directors (from 1983 to November 1993) of Bank One West Virginia Corporation (formerly Key Centurion Bancshares, Inc.) Since 1996, Chairman of the Board of Premier Financial Bancorp, Inc., a \$1.5 billion multi-bank holding company headquartered in Huntington, West Virginia, and operating in Kentucky, Ohio, West Virginia, Washington, D.C., Maryland and Virginia. Chairman of the Board of

<u>Name</u>	<u>Age</u>	<u>Position With Bank</u>	<u>Director Since</u>	<u>Principal Occupation, Business Experience During Past Five Years and Other Information</u>
				Directors of Energy Services of America Corporation in Huntington, West Virginia, since 2006. Energy Services of America provides construction services to the natural gas, petroleum, chemical power, and automotive industries through its subsidiaries, C.J. Hughes Construction Company and Nitro Electric Company, Inc. The Board's primary reason for determining that he should serve as a Director is his experience in the financial industry, business acquisitions and corporate governance.
John W. Wright	69	Director	2014	Business Consultant. Previously Managing Director at Baxter Fentriss & Company, a Richmond, Virginia-based investment banking firm focused on the financial institution industry, from 2002 through 2015. Serves on the Boards of Virginia Capital Partners, a private equity fund, and Vesta Property Services, a property management company for condominium and homeowner associations. The Board's primary reason for determining that he should serve as a Director is his knowledge of the financial industry and capital markets.

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

With the exception of Mr. Reynolds, no Director or nominee chosen by the Board of Directors is, or within the last five years has been, a director of any company with a class of securities registered pursuant to Section 12 of the Exchange Act, or subject to the requirements of Section 15(d) of such Act or of any company registered as an investment company under the Investment Company Act of 1940.

During 2017, the Bank's Board of Directors met 11 times for regularly scheduled and special meetings. Each Director standing for reelection 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 2017, 9 of the 10 Directors standing for reelection at the Meeting attended the 2017 Annual Meeting in person.

### **Executive Officers of the Bank**

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

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Officer Since</b>
Allan J. Hemphill (1)	79	Chairman of the Board	2012
James E. Brush	65	President and Chief Executive Officer	2016
Dennis E. Kelley	64	Executive Vice President and Chief Financial Officer	2005
Genie Del Secco (2)	49	Executive Vice President and Chief Operating Officer	2018
Brian J. Reed	59	Executive Vice President and Chief Credit Officer	2016

- (1) The Board has named the Chairman of the Board as an Executive Officer for succession planning. The Chairman of the Board does not receive compensation beyond Board fees and does not participate in operating management.
- (2) Genie Del Secco was promoted to Executive Vice President and Chief Operating Officer on January 1, 2018. Formerly, she was Senior Vice President and Director of Branch and Deposit Operations since August 2015.

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

Genie M. Del Secco was appointed Executive Vice President and Chief Operating Officer to be effective January 1, 2018. She has been the Senior Vice President and Director of Branch and Deposit Operations with Summit State Bank since August 2015. Previously, she was with First Community Bank in Santa Rosa from 2005 to August 2015, with the final position of Senior Vice President of Compliance and Branch Operations.

Brian J. Reed is the Executive Vice President and Chief Credit Officer. Mr. Reed joined the Bank on December 5, 2016. He was formerly Executive Vice President and Chief Credit Officer with First Community Bank, Santa Rosa, California, from June 2006 until joining Summit State Bank. Prior to that position, Mr. Reed was the Senior Vice President and Regional President with North Valley Bank in Redding, California.

Brandy A. Seppi became Executive Vice President and Chief Lending Officer in December 2016. Prior to that, Ms. Seppi was the Executive Vice President and Chief Credit Officer beginning in January 2015. She was formerly Senior Vice President and Senior Relationship Manager with Umpqua Bank in San Francisco from July 2011 until joining Summit State Bank. Prior to that position, she was the Business Development Officer with City National Bank in the San Francisco Bay Area from October 2004 to July 2011. She is a long-time resident of Sonoma County.

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

Since March 2008, the Bank's leadership structure has separated the roles of chairman and chief executive officer. The Board believes that separating these functions gives the Board greater control of the Board's agenda and greater independence in oversight of risk. The Board has named the Chairman of the Board as an Executive Officer for succession planning. The Chairman of the Board does not receive compensation beyond the Board fees and does not participate in operating management.

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

## Security Ownership of Management

The following table sets forth information as of April 25, 2018 pertaining to beneficial ownership of the Bank's common stock (the sole class of voting stock outstanding) by current directors of the Bank, nominees to be elected to the Board of Directors, and all directors and officers of the Bank as a group. As used throughout this proxy statement, the term "Executive Officer" refers to the President and Chief Executive Officer; the Executive Vice President and Chief Financial Officer; the Executive Vice President and Chief Credit Officer; the Executive Vice President and Chief Operating Officer; and the Executive Vice President and Chief Lending 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.

Name and Address of Beneficial Owner (1)	Relationship with Bank	Amount and Nature of Beneficial Ownership (2)	Percent of Class (2)	Footnote
Jeffery B. Allen	Director	5,412	-	(3)
James E. Brush	Director, CEO and President	73,846	1.2%	
Josh C. Cox, Jr.	Director	2,512	-	(3) (4)
Genie Del Secco	EVP and Chief Operating Officer	1,000	-	(3)
Bridget M. Doherty	Director	5,000	-	(3)
Todd R. Fry	Director	9,250	-	(3) (5)
Allan J. Hemphill	Director and Chairman	8,342	-	(3) (6)
Dennis Kelley	EVP and Chief Financial Officer	29,210	-	(3)
Richard E. Pope	Director	0	-	(3)
Nicholas J. Rado	Director	10,000	-	(3)
Brian J. Reed	EVP and Chief Credit Officer	40,400	-	(3)
Marshall T. Reynolds	Director	859,947	14.1%	(4)
Brandy A. Seppi	EVP and Chief Lending Officer	2,300	-	(3)
John W. Wright	Director	10,100	-	(3)
All directors and executive officers as a group (14 in number)		1,057,319	17.4%	(7)

- (1) The address for all persons is c/o Summit State Bank, 500 Bicentennial Way, Santa Rosa, California, 95403.
- (2) Includes shares beneficially owned (including options exercisable within 60 days of April 25, 2018), both directly and indirectly together with associates. Subject to applicable community property laws and shared voting and investment power with a spouse, the persons listed have sole voting and investment power with respect to such shares unless otherwise noted.
- (3) Represents less than one percent of the outstanding shares of the Bank's common stock.
- (4) Includes 2,500 shares under option exercisable within 60 days of April 25, 2018.
- (5) Includes 750 shares held by his daughter and 2,500 shares under option exercisable within 60 days of April 25, 2018.
- (6) Includes 1,500 shares under option exercisable within 60 days of April 25, 2018.
- (7) Includes options to purchase 9,000 shares of common stock, which are exercisable within 60 days of April 25, 2018.

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

### ***Audit Committee***

The members of the Audit Committee at December 31, 2017 were Ronald A. Metcalfe (Committee Chairman), Jeffery B. Allen, Bridget M. Doherty, and John W. Wright. All Audit Committee members are independent for purposes of NASDAQ's listing standards applicable to Audit Committee members.

The principal duties of the Audit Committee are the following: (i) selecting the Bank's independent registered public accounting firm; (ii) meeting with the independent registered public accounting firm to review and approve the scope of its audit engagement and the fees related to such work; (iii) meeting 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 reporting to the Board any conclusions or recommendations that the Audit Committee may have with respect to such matters. The Audit Committee met six (6) times during 2017. The committee has a written charter, a copy of which can be found on the Bank's website at [www.summitstatebank.com](http://www.summitstatebank.com). The Bank's Board of Directors has determined that the Bank has one Audit Committee financial expert, Mr. Metcalfe, 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 at December 31, 2017 were Nicholas J. Rado (Committee Chairman), Jeffery B. Allen, James E. Brush, Josh C. Cox, Jr., Allan J. Hemphill and Richard E. Pope.

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 21 times during 2017.

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

The members of the Asset-Liability Management and Investment Committee at December 31, 2017 were Todd R. Fry (Committee Chairman), James E. Brush, Allan J. Hemphill and John W. Wright.

The Asset-Liability Management and Investment Committee is responsible for the development of policies and procedures related to liquidity, asset-liability management and the development of policies and procedures related to the Bank's investment portfolio. The Asset-Liability Management and Investment Committee met 4 times during 2017.

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

The members of the Information Technology Steering Committee at December 31, 2017 were Josh C. Cox, Jr. (Committee Chairman), Bridget M. Doherty and Ronald A. Metcalfe.

The Committee determines appropriate information technology systems for the Bank and reviews the performance of these systems. The Information Technology Committee met 4 times in 2017.

### ***Executive, Corporate Governance and Nominating Committee***

The members of the Executive, Corporate Governance and Nominating Committee at December 31, 2017 were Allan J. Hemphill (Committee Chairman), Josh C. Cox, Jr., Richard E. Pope and Marshall T. Reynolds. All are independent under NASDAQ listing standards. The Committee develops and recommends to the Board a set of corporate governance principles applicable to the Bank. The Committee oversees the evaluation of the Board and management and evaluates the effectiveness of Board meetings and makes recommendations for improvement. The Committee has authority to act on behalf of the full Board in certain matters when it is impractical to convene a full Board meeting. The Committee will also identify and review candidates for the Board of Directors and review the appropriate skills and characteristics required of Board members, in consultation with the Chairman and Chief Executive Officer, and recommends director nominees to the Board. The Committee will also consider and evaluate director nominees proposed by shareholders. Shareholders wishing to recommend a candidate should provide the recommendation in writing, together with supporting information including the information described in the Notice of Annual Meeting of Shareholders accompanying this proxy statement, to Barbara Gradman, Corporate Secretary, Summit State Bank, 500 Bicentennial Way, Santa Rosa, California 95403. The Nominating Committee will use the same evaluation criteria for a candidate recommended by a shareholder as it uses for a candidate identified by the Committee. The Committee met three (3) times in 2017.

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

The Bank has never engaged or paid a third party to identify or evaluate potential nominees.

### ***Compensation Committee***

The members of the Compensation Committee (the "Compensation Committee") at December 31, 2017 were John W. Wright (Committee Chairman), Jeffery B. Allen and Nicholas J. Rado. All are independent under NASDAQ listing standards. The Committee evaluates and recommends to the Board of Directors salary and other compensation for the CEO and President, and salary and other compensation for the executive officers. The Committee met 5 times in

2017. The Committee has a charter that can be found on the Bank's website at [www.summitstatebank.com](http://www.summitstatebank.com).

### **Transactions with Related Persons**

Some of the Bank's directors and executive officers, as well as members of their immediate families and associates, are customers of, and have had banking transactions with, the Bank in the ordinary course of the Bank's business, and the Bank expects to have such ordinary banking transactions with these persons in the future. Directors and executive officers are eligible to participate in the Bank's Employee Loan Program, which offers preferred interest rates on primary home mortgage loans. Otherwise, in the opinion of management of the Bank, all loans and commitments to lend included in such transactions were made in the ordinary course of business on the same terms, including interest rates and collateral, as those prevailing for comparable transactions with other persons of similar creditworthiness, and do not involve more than the normal risk of collectability or present other unfavorable features. Loans to individual directors and executive 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.

Under the Bank's Employee Home Loan Program, all employees, including executive officers, and directors are eligible to receive a 30-year mortgage loan with a rate that adjusts every 5, 7 or 10 years, at the employee's or director's option. The interest rate for loans that the Bank makes under the Employee Home Loan Program is the "Index H.15," which is the weekly average yield on the United States Treasury securities adjusted to a constant maturity of 5, 7, or 10 years as made available by the Federal Reserve Board, plus .50%. The loan is fixed for the desired period and is amortized on a 30-year schedule. At the end of each fixed period the mortgage may be adjusted for an identical fixed-rate period according to the formula above. The minimum loan rate is based on the above formula. The maximum life-of-loan rate increase is 5% above the initial loan rate.

The Bank makes all loans to executive officers and directors under the Employee Home Loan Program in compliance with the applicable restrictions of Section 22(h) of the Federal Reserve Act. Messrs. Brush, Hemphill, Kelley and Rado have home mortgage loans through this program. The total of the executive officer and director loans from this program at December 31, 2017 was \$1,103,444 with balances ranging from \$131,832 to \$463,537 and interest rates ranging from 1.34% to 1.63%. The following table provides additional information for the year ended December 31, 2017:

Name	Highest balance during year	Latest balance	Principal paid during year	Interest paid during year	Interest rate
Mr. Brush	\$ 163,525	\$ 131,832	\$ 31,693	\$ 1,976	1.34%
Mr. Hemphill	\$ 373,832	\$ 361,943	\$ 11,889	\$ 4,705	1.63%
Mr. Kelley	\$ 152,078	\$ 146,132	\$ 5,946	\$ 1,968	1.34%
Mr. Rado	\$ 484,172	\$ 463,537	\$ 20,635	\$ 6,203	1.36%

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's Compliance Officer, Genie Del Secco.

NASDAQ Rule 5630 requires the Bank to conduct an appropriate review of all related-party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the Bank's Audit Committee or another independent body of the Board of Directors. For purposes of the rule, the term "related party transaction" refers to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404, which includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which the amount involved exceeds \$120,000.

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

### **Change in Control**

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

### **Executive Compensation**

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

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

The Bank currently has six designated executive officers, which includes the Chairman of the Board, who was designated as an executive officer for succession purposes but does not receive a salary or participate in daily management. He does receive Director fees. The executive officers responsible for daily management include the President and Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Chief Credit Officer ("CCO"), the Chief Operating Officer ("COO") and the Chief Lending Officer ("CLO"). Compensation for the executive officers consists of salary, annual bonus, stock options or stock appreciation rights ("SAR") and other normal employee benefits that are offered to all employees of the Bank. The Compensation Committee of the Board of Directors, which consists solely of outside directors, recommends to the Board of Directors the compensation of the CEO based on their evaluation of the CEO's performance and the overall performance of the Bank. Although no specific financial targets are set, factors used to assess the performance of the CEO include the accomplishment of significant projects and strategies. The Bank's performance is evaluated on factors such as financial results, operations, and audit and examination results. The Compensation Committee recommends adjustments to each officer's annual salary based on the Bank's performance and the officer's performance in his or her area of responsibility. The Compensation Committee

compares the salary range of each position to a peer group of banks and recommends salary adjustments when it deems 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 employment, termination, or retirement agreements. There are Change in Control Agreements (“Agreements”) with each of the executive officers except for the Chief Executive Officer. The Agreements allow for compensation and benefits if upon a Change in Control, as defined in the Agreements, the executive officer is terminated, or a material change is made to title, duties or compensation. The following table represents the estimated Change in Control payments at December 31, 2017 if a triggering event were to have taken place at that time, for Dennis Kelley Brandy Seppi and Brian Reed, and at January 1, 2018 for Genie Del Secco:

#### Change in Control Compensation

Name	Cash (\$) (1)	Benefits (\$) (2)	Total (\$)
Dennis Kelley, E.V.P. & CFO	\$ 262,462	\$ 34,372	\$ 296,834
Linda Bertauche E.V.P & COO (3)	\$ 254,159	\$ 27,308	\$ 281,467
Brandy A. Seppi, E.V.P. & CLO	\$ 260,504	\$ 21,908	\$ 282,411
Brian Reed, E.V.P. & CCO	\$ 254,985	\$ 22,611	\$ 277,596

(1) Represents estimated lump sum cash payment upon a triggering event under the Change in Control agreement based on salary and bonus compensation as of December 31, 2017.

(2) Represents benefits (health benefits, 401 (K) matching contributions and other perquisites) provided during the maximum period after the triggering event under the Change in Control agreement based on benefits provided at December 31, 2017.

(3) Ms. Bertauche's Change in Control agreement terminated at her retirement on December 31, 2017. Genie Del Secco was promoted to E.V.P. and COO and entered into a Change in Control agreement effective January 2, 2018.

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

Participating executive officers and employees are eligible for annual awards under the plan based on the Bank’s performance. Plan awards are determined based on the Bank’s performance at one of three levels: minimum, threshold, and maximum. The number of performance goals may vary each year, but there are six goals for 2018. The precise performance goal categories also may vary each year, but for 2018 the six specific performance goal categories and the weights assigned to them are:

- |                          |   |
|--------------------------|---|
| 1) return on equity, 15% | 4) efficiency ratio, 10%                |
| 2) return on assets, 20% | 5) core deposit growth, 20%             |
| 3) net loan growth, 15%  | 6) classified asset coverage ratio, 20% |

The executives selected for participation in 2018 are the CEO, the CFO, the COO, the CCO and the CLO. The Board of Directors may change any and all features of the plan at any time.

The total potential award pool is a fixed dollar amount established by the Board, with the recommendation of the Compensation Committee. For 2018, the maximum potential incentive bonus for each participating executive is one half of his or her base salary, the bonus pool for threshold performance is \$300,000, and for performance below threshold cash incentives are entirely within the discretion of the Board, which may allocate among participating executives a total cash incentive pool of up to \$125,000, but only if earnings for the year exceed that amount.

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

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

Awards under the cash incentive bonus plan for the fiscal year 2017 were \$275,000, which was comprised of \$275,000 awarded for meeting certain threshold measures and nothing awarded under the discretionary provisions.

The Bank has a 2013 Equity Incentive Plan approved by shareholders that permits the grant of stock options to employees for up to 187,500 shares of common stock. Option awards are generally granted with an exercise price equal to the market price of the Bank's common stock at the date of grant; those option awards have vesting periods of 5 years unless otherwise approved by the Board of Directors and have 10-year contractual terms. As of December 31, 2017, 187,500 shares available for future grants under the 2013 Equity Incentive Plan.

In December 2017, the Bank granted Stock Appreciation Rights (SARs) to the CLO and the CCO pursuant to a Stock Appreciation Rights Agreement with each executive. The SAR agreements provide for a form of contingent cash bonus arrangement and is independent of, and is not an award under, the Bank's 2013 Equity Incentive Plan. The SARs settle in cash only and provide incentive compensation equal to the difference between the market price of the Bank's common stock at the date of exercise by the executive officer and the market price when the SARs were granted. The two executive officers each received SARs based on 10,000 shares of the Bank's common stock with a vesting schedule of 20% on each anniversary of the grant date. The exercise price per share is \$12.50. The final term for exercise is ten years from the grant date.

The Bank does not believe that any of its compensation policies or practices is reasonably likely to have a material adverse effect on it as such policies and practices related to risk-management practices and risk-taking incentives.

The following information is furnished with respect to the Executive Officers of the Bank whose aggregate compensation during 2017 exceeded \$100,000 (the “named executive officers”).

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$ (1))	Stock Awards (\$)	Option/SAR Awards (\$ (2))	Non- Equity Incentive Plan Compensation (\$ (3))	All Other Compensation (\$ (4))	Total (\$)
James E. Brush, (5)(6) CEO and President (PEO)	2017	115,184	-	-	-	55,000	5,588	175,772
	2016	77,572	-	-	-	50,000	617	128,189
Thomas M. Duryea, (6)(7) CEO and President (PEO)	2017	-	-	-	-	-	-	-
	2016	121,279	59,250	-	-	-	471,527	652,056
Dennis E. Kelley, E.V.P. and CFO (PFO)	2017	199,806	-	-	-	55,000	11,467	266,273
	2016	186,454	59,250	-	-	25,000	11,665	282,369
Linda Bertauche, (6) E.V.P. and COO	2017	199,519	-	-	-	55,000	3,286	257,805
	2016	170,567	59,250	-	-	25,000	8,230	263,047
Brian J. Reed, (6) E.V.P. and CCO	2017	199,983	-	-	-	55,000	1,032	256,015
	2016	12,179	20,000	-	35,700	-	75	67,953
Brandy A. Seppi, E.V.P. and CLO	2017	199,503	-	-	-	55,000	11,220	265,723
	2016	173,509	59,250	-	35,700	25,000	11,462	304,921

- (1) The bonuses paid for 2016 reflects bonuses awarded for 2015, with the exception of Brian Reed, which was a signing bonus paid in 2016.
- (2) The option/SAR column shows the grant date fair value of stock appreciation rights (SAR) granted during the year, if any. See Footnote 11 to the Audited Financial Statements contained in the Annual Report to Shareholders on Form 10-K for the assumptions used in the computation of the value of the SAR awards.
- (3) The 2016 and 2017 cash incentive payments under the Bank’s cash incentive bonus plan were made on January 2, 2017 and on January 2, 2018, based on financial performance and the executives’ performance in 2016 and 2017, respectively.
- (4) All Other Compensation includes various benefits, including but not limited to 401 (K) matching contributions, automobile allowances, value of vacation accrual in excess of cap and excess life insurance premiums. For Mr. Duryea includes severance and other termination benefits payable under the Agreement and General Release he entered into with the Bank in April 2016, consisting primarily of cash severance of \$447,500, payable monthly in the amount of \$23,750 for 18 months, and reimbursement of health insurance expense and other benefits in the amount of \$232,935. Of these amounts Mr. Duryea received \$199,149 in 2016 and \$257,500 in 2017.
- (5) Salary for Mr. Brush in 2016 includes \$12,400 in director fees paid prior to his appointment as President and CEO. No director fees were paid to him after his appointment as an officer of the Bank.
- (6) Mr. Duryea resigned as President and CEO in April 2016. Mr. Brush was appointed President and CEO in April 2016. Mr. Reed joined the Bank as E.V.P. and CCO in December 2016. Linda Bertauche retired as E.V.P. and COO on December 31, 2017. Genie Del Secco was appointed E.V.P and COO on January 1, 2018. She was formerly the S.V.P. and Director of Branch and Deposit Operations. Upon her promotion, Ms. Del Secco is to receive a salary of \$170,000 and entered into a Change in Control agreement.
- (7) Compensation for Mr. Duryea in 2016 included \$121,279 in salary and \$427,500 plus other benefits in severance compensation, which was paid over 18 months after his separation.

The following table sets forth certain information with respect to grants of plan-based awards to the Named Executive Officers for 2017.

**Grants of Plan-based Awards**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options/ SARs (#)	Exercise or Base Price of Option/ SARs (\$/Sh)	Grant Date Fair Value of Stock and Option/ SARs Awards (\$)
		Threshold (\$)	Target (\$)	Threshold (\$)	Target (\$)				
James E. Brush	-	-	-	-	-	-	-	-	-
Dennis E. Kelley	-	-	-	-	-	-	-	-	-
Linda Bertauche	-	-	-	-	-	-	-	-	-
Brian J. Reed (2)	12/11/17	-	-	-	-	-	10,000	12.50	30,294
Brandy A. Seppi (2)	12/11/17	-	-	-	-	-	10,000	12.50	30,294

(1) The option column shows the grant date fair value of options or stock appreciation rights (SAR) granted during the year, if any. See Footnote 11 to the Audited Financial Statements contained in the Annual Report to Shareholders on Form 10-K for the assumptions used in the computation of the value of the stock options and SAR awards.

(2) Represents cash-settled stock appreciation rights awarded to Mr. Reed and Ms. Seppi with respect to shares of the Bank's common stock. The vesting schedule of the stock appreciation rights is 20% at each anniversary of the grant date with a final term of ten years.

The following table sets forth certain information about equity awards held by the Bank's named executive officers as of December 31, 2017.

**Outstanding Equity Awards at 2017 Fiscal Year End**

Name	Option Awards			
	Number of Securities Underlying Unexercised Options/ SARs Exercisable (#) (1)	Number of Securities Underlying Unexercised Options/ SARs Unexercisable (#) (1)	Option/ SAR Exercise/ Base Price (\$) (1)	Option/ SAR Expiration Date
Linda Bertauche (2)	12,500	-	5.02	3/22/20
	12,500	-	4.60	9/28/19
Brian Reed (3)	-	10,000	12.50	12/11/27
	2,500	10,000	11.60	12/12/26
Brandy Seppi (3)	-	10,000	12.50	12/11/27
	2,500	10,000	11.60	12/12/26

(1) Number of securities and exercise price of options and SARs are adjusted for the five-for-four stock split issued on March 14, 2017.

(2) All outstanding equity awards for Ms. Bertauche were options granted where she had the right to obtain common shares.

(3) Represents cash-settled stock appreciation rights awarded to Mr. Reed and Ms. Seppi with respect to shares of the Bank's common stock. The vesting schedule of the stock appreciation rights is 20% each anniversary of the grant date with a final term of ten years.

The following table provides information regarding exercises and vesting of stock options and stock appreciation rights held by the Named Executive Officers for the year ended December 31, 2017.

### Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Share Acquired on Exercise (#)	Value Realized on Exercise (\$) (1)	Number of Share Acquired on Vesting (#)	Value Realized on Vesting (\$)
James E. Brush	-	-	-	-
Dennis E. Kelley	-	-	-	-
Linda Bertauche	20,625	150,918	-	-
Brian J. Reed	-	-	-	-
Brandy A. Seppi	-	-	-	-

(1) Represents the value realized upon exercise date as the difference between the closing market price and the exercise price.

### Equity Compensation Plan Information

The information in the following table is provided as of December 31, 2017, with respect to compensation plans (including individual compensation arrangements) under which equity securities are issuable (adjusted for the five-for-four stock split issued March 14, 2017):

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	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	35,625	\$4.69	187,500
Equity compensation plans: Not approved by security holders	-	-	-

## Director Compensation for 2017

The following table sets forth compensation paid to the Bank's non-employee directors during 2017.

Name	Fees Earned or Paid in Cash (\$)	Option Awards	All Other Compensation (\$)	Total (\$)
Jeffery B. Allen	\$ 29,800	-	-	\$ 29,800
Josh C. Cox, Jr. (1)	39,000	-	21,671	60,671
Bridget M. Doherty	19,400	-	-	19,400
Todd R. Fry	22,400	-	-	22,400
Allan J. Hemphill (2)	90,400	-	-	90,400
Ronald A. Metcalfe	32,200	-	-	32,200
Richard E. Pope	35,400	-	-	35,400
Nicholas J. Rado	37,550	-	-	37,550
Marshall T. Reynolds	17,000	-	-	17,000
John W. Wright	35,000	-	-	35,000

(1) Mr. Cox's other compensation was composed of consulting fees paid to him.

(2) Fees earned for Mr. Hemphill include \$60,000 fee as Chairman of the board.

During 2017, the Bank paid non-employee directors and the Chairman a monthly meeting fee of \$1,800 per meeting. The Chairman receives \$5,000 per month as a Chairman fee. Committee members received \$400 per committee meeting attended or \$200 per committee meeting attended via telephone if they live within 100 miles of Santa Rosa. Committee Chairmen receive an additional \$400 per meeting. Loan Committee members and Directors Committee members receive \$600 per month regardless of the number of meetings held.

### Compensation Committee's Report on Compensation

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

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

John W. Wright  
Jeffery B. Allen  
Nicholas J. Rado

### 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. The Audit Committee has received the written disclosures and the letter from the independent accountants required by 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.

Ronald A. Metcalfe  
Jeffery B. Allen  
Bridget M. Doherty  
John W. Wright

### **Significant Litigation**

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

## **PROPOSAL 1**

### **Recommendation of the Board of Directors**

**You are urged to vote for Proposal 1: To elect the 10 nominees set forth herein to serve until the next annual meeting of the shareholders and until their respective successors shall be elected and qualified: Jeffery B. Allen, James E. Brush, Josh C. Cox, Jr., Bridget M. Doherty, Todd R. Fry, Allan J. Hemphill, Richard E. Pope, Nicholas J. Rado, Marshall T. Reynolds and John W. Wright.**

## **PROPOSAL 2**

### **Ratification of Selection of Independent Public Accountants**

At the 2018 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 Moss Adams LLP as the independent certified public accountants of Summit State Bank for the fiscal year ending December 31, 2018 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 Audit Committee reserves the right and, in its discretion, may direct the appointment of any other independent certified public accounting firm at any time if the Audit Committee decides that such a change would be in the best interests of the Bank and its shareholders. Representatives of Moss Adams LLP (“Moss Adams”) are expected to attend the annual meeting and to have the opportunity to make a statement if they desire to do so.

Moss Adams served as the Bank’s independent certified public accountants during the fiscal years ended December 31, 2017, 2016, 2015, 2014, 2013 and 2012. The services provided by Moss Adams include the examination and reporting of the financial status of the Bank.

The table following sets forth information regarding the fees incurred for professional services provided by Moss Adams for the fiscal years ended December 31, 2017 and 2016.

<u>Service</u>	<b>Fees for period ended <u>December 31, 2017</u></b>	<b>Fees for period ended <u>December 31, 2016</u></b>
Audit Fees	\$144,200	\$141,500
Audit Related Fees	-	-
Tax Fees	\$17,400	\$16,000
All Other Fees	-	-

All services of the independent accountants are approved by the Audit Committee.

The Bank’s Audit Committee has considered whether Moss Adams’ provision of the services described above under the captions “Audited Related Fees,” “Tax Fees” and “All Other Fees” is compatible with maintaining the independence of Moss Adams and believes that such services provided by Moss Adams are compatible with maintaining the auditor’s independence. To the best of the Bank’s knowledge, none of the time devoted by Moss Adams on its engagement to audit the Bank’s financial statements for the year ended December 31, 2017 is attributable to work performed by persons other than full-time, permanent employees of Moss Adams.

### **Recommendation of the Board of Directors**

**The Board of Directors unanimously recommends that shareholders vote “FOR” the ratification of the selection of Moss Adams as the Bank’s auditors for the fiscal year ending December 31, 2018.**

### **Other Business**

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

### **Code of Ethics**

The Bank has adopted a code of ethics governing the conduct of all its employees, executive officers and directors. The code is available on the Bank’s website at [www.summitstatebank.com/ethics\\_policy](http://www.summitstatebank.com/ethics_policy) or upon written request to Barbara Gradman, Corporate Secretary, Summit State Bank, 500 Bicentennial Way, Santa Rosa, California 95403.

## Shareholder Communications with the Board of Directors

Shareholders wishing to communicate with the Board of Directors or with a particular director may do so in writing addressed to the Board, or to the particular director, by 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

The proxy holders for the Meeting may use their discretion in voting on proposals presented at the Meeting of which the Bank did not have notice by June 5, 2018.

Any shareholder proposals intended to be considered by management of the Bank for inclusion in the Bank's proxy statement for the 2019 Annual Meeting of Shareholders must be received by the Bank no later than February 15, 2019, unless the 2019 Annual Meeting is held more than 30 days before or after July 23, 2019, in which case the Bank will publicly announce the date of its 2019 Annual Meeting and the deadline for shareholder proposals with a reasonable time prior to the date that the Bank mails its proxy materials for the 2019 Annual Meeting.

A copy of our 2017 Annual Report, which includes our annual report on Form 10-K for the year ended December 31, 2017, including financial statements and schedules, accompanies this proxy statement. Additional copies of the 2017 Annual Report may be obtained without charge by writing to Ms. Barbara Gradman, Corporate Secretary, Summit State Bank, 500 Bicentennial Way, Santa Rosa, California 95403. This proxy statement and our 2017 Annual Report are also available at our website, [www.summitstatebank.com](http://www.summitstatebank.com) under the Investor Relations section and from the FDIC at its website, <http://www2.fdic.gov/efr/>.

SUMMIT STATE BANK



Barbara Gradman  
Corporate Secretary