

**HORIZON BANCORP, INC.**

**225 N. Lake Havasu Avenue  
Lake Havasu City, Arizona 86403**

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**NOTICE AND PROXY STATEMENT  
FOR ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE 16, 2021**

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To our Shareholders:

You are hereby notified that the Annual Meeting of Shareholders of Horizon Bancorp, Inc. (the “Company”) will be held at 5:30 p.m. (registration begins at 5:00 p.m.) on June 16, 2021 at Shugrue's Bridgeview Room, Shugrue's Restaurant, 1425 McCulloch Boulevard North, Lake Havasu City, Arizona 86403 (the “Meeting”).

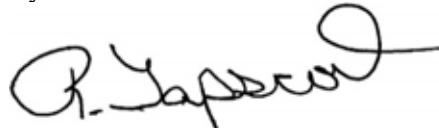
The Meeting will be held for the following purposes:

1. To elect seven (7) directors to serve terms of one year each and, in each case, until their successors are duly elected and qualified.
2. To approve the Horizon Bancorp, Inc. 2021 Stock Incentive Plan
3. To ratify the engagement of Eide Bailly, LLP to serve as the auditors for the Company for the fiscal year ended December 31, 2020.
4. To transact such other business that may properly come before the Meeting.

The record date for shareholders entitled to receive notice of and to vote at the Meeting or any adjournment thereof is the close of business on April 06, 2021. Shares of Common Stock can be voted at the Meeting only if the holder is present at the Meeting in person or by valid proxy. Regardless of the number of shares you own, your vote is important. In order to properly plan for attendance in person and attendance remotely, please RSVP by calling Tammy Henderson at (928) 854-3000. Remote meeting instructions will be provided at that time. The Board of Directors and Management of the Company cordially invites you to attend the Meeting.

Your attention is directed to the attached Proxy Statement.

By Order of the Board of Directors



Ralph Tapscott  
President and Chief Executive Officer

Lake Havasu City, Arizona

Date: April 20, 2021

**IMPORTANT**

Shareholders may DATE, SIGN and MAIL the enclosed form of proxy to us in the enclosed, self-addressed stamped envelope in lieu of attending the Meeting.

**HORIZON BANCORP, INC.**  
**225 N. Lake Havasu Avenue**  
**Lake Havasu City, Arizona 86403**

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PROXY STATEMENT  
FOR ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE 16, 2021

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This Proxy Statement and the accompanying proxy are being furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors (the “Board”) of Horizon Bancorp, Inc., an Arizona corporation (the “Company”), for use at the Annual Meeting of Shareholders of the Company (the “Meeting”). The Meeting will be held at Shugrue's Bridgeview Room, Shugrue's Restaurant, 1425 McCulloch Boulevard North, Lake Havasu City, Arizona 86403, at 5:30 p.m. (registration begins at 5:00 p.m.), on June 16, 2021. This Proxy Statement and the accompanying proxy are being mailed beginning on April 20, 2021 to holders of common stock of the Company (“Common Stock”) as of April 06, 2021 (the “Record Date”). Only those shareholders of record at the close of business on the Record Date will be entitled to vote. Cumulative voting is permitted in the election for directors, as described below. For all other purposes, each share is entitled to one vote.

**VOTING AT THE MEETING**

Each holder of record of Common Stock is entitled to cast one vote per share, except that cumulative voting is allowed with respect to the election of directors. See “*Cumulative Voting for Directors*” below. The presence, in person or by proxy, of the holders of a majority of the votes represented by the outstanding shares of Common Stock entitled to vote at the Meeting is necessary to constitute a quorum for the conduct of business at the Meeting. Abstentions will be counted as shares present for purposes of determining whether a quorum is present.

Ross E. Johnson, the Chief Financial Officer of the Company, has been appointed by the Board of Directors to tabulate the number of shares represented, receive proxies and ballots, tabulate the vote and serve as Inspector of Elections for the Meeting.

All shares of Common Stock represented by properly dated and executed proxies received prior to or at the Meeting and not revoked will be voted in accordance with the instructions indicated in such proxies. If no such instructions are indicated, such shares will be voted **FOR** the election of the nominees for directors stated herein. Any shareholder may revoke his or her proxy at any time prior to its use by filing with the Inspector of Elections for the Meeting written revocation of his or her proxy, giving a duly executed proxy bearing a later date or voting in person at the Meeting. Attendance by a shareholder at the Meeting will not in itself revoke his or her proxy.

In addition to solicitation by mail, directors, officers and regular employees of the Company may solicit proxies by telephone or personal contact for which such person will receive no additional compensation. Companying institutions, brokerage firms, custodians, trustees, nominees and fiduciaries will be requested to forward solicitation materials to the beneficial owners of Common Stock held of record by them, and will be reimbursed for their reasonable forwarding expenses upon their request. The Company will pay all reasonable costs of the solicitation of proxies.

Because abstentions with respect to any matter (other than the election of directors) are treated as shares present or represented and entitled to vote for purposes of determining whether that matter has been approved by the shareholders, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether shareholder approval has been obtained. Broker non-votes are limited proxies submitted by brokers or other nominees who do not have the required voting authority from beneficial owners.

### **Cumulative Voting for Directors**

Cumulative voting for the election of directors is required under Arizona law. Cumulative voting entitles each shareholder to cast for a single nominee a number of votes equal to the number of directors being elected at the Meeting (in this case, seven) multiplied by the number of shares owned by such shareholder. In the alternative, the shareholder may distribute such votes on the same principle among two or more nominees as he or she sees fit. Directors will be elected by a plurality of the votes (determined under cumulative voting principles) cast by shares entitled to vote at the Meeting, which means that the seven nominees receiving the highest vote totals will be elected. Shares as to which authority to vote on the election of directors has been withheld and broker non-votes will not be counted as votes cast for nominees and will have no effect on the outcome of the voting for directors.

## **BUSINESS AT THE MEETING**

### ***Item 1 Election of Directors***

Under the Company's Articles of Incorporation and Bylaws, the Board of Directors has the authority to determine the size of the Board. The Board has nominated seven current directors for re-election as directors of the Company. Directors elected at the Meeting will serve terms of one year and, in each case, until their successors are duly elected and qualified. Upon expiration of the applicable term, each Director (or his or her successor) will again be subject to election by the Company's shareholders.

Unless authority is withheld, it is intended that all shares of stock represented by proxies in the form accompanying this statement will be voted in favor of the seven nominees named below. All nominees have agreed to serve if elected. If any nominee is unable or unwilling to serve as a nominee at the time of the Meeting, a proxy may be voted "for" the election of another person recommended by the Board of Directors, unless the shareholder executing such proxy withholds authority to vote for the election of directors.

### **Required Vote**

Subject to cumulative voting rights, the election of each of the nominees for Director requires a plurality of the votes cast by the shareholders of Common Stock entitled to vote in the election at the Meeting, provided that at least a majority of shares are present at the meeting. An abstention will have the same effect as a vote withheld for the election of directors.

**The Board of Directors recommends a vote FOR the election of the nominees named below.**

- **Jo Navaretta** Jo Navaretta is co-owner of J&J Leasing, Inc. dba J&J Property Management and Development since 1991. She and her husband sold the business they owned and operated for 32 years, Pitzer's One Hour Heating and A/C along with Benjamin Franklin Plumbing. Prior to that, Ms. Navaretta held the positions of paralegal in New York and Loan Officer/Assistant Manager for The Arizona Bank in Lake Havasu City. Ms. Navaretta is past President of the Lake Havasu Unified School District Governing Board, member of ASU Community Advisory Group, member and past president of Soroptimist International of Lake Havasu City, honorary member of Lake Havasu City Rotary Club and various other civic and charitable organizations.
- **Hitendra Chauhan** Dr. Chauhan is a practicing physician with Havasu Regional Medical Center. He received his Medical Degree from the University of Zambia. Dr. Chauhan completed his residency and fellowship at the University of Health Sciences in Chicago. He has full medical staff privileges at Havasu Regional Medical Center and was past Chief of Staff.
- **Gary Clausen** Mr. Clausen is one of the original organizers of Horizon Community Bank. He has been on the HBI and HCB Boards since the inception of the Bank. Mr. Clausen is president of PURE Choice MotorSports LLC. He has been involved in the automotive, aircraft and oil industries his entire career. PURE Choice MotorSports LLC is a designer, manufacturer, and distributor of high-quality specialty performance parts for the automotive, racing, and boating industries.
- **Mark Durham** Mr. Durham is a licensed contractor and president of Durham Construction Inc. Durham Construction Inc. is involved in developing both commercial and residential properties in Arizona. Mr. Durham is a graduate of Cal State University Long Beach School of Engineering.
- **Gerald B. Ernst** Mr. Ernst, recently retired, served as President/CEO of Horizon Community Bank from 2010 to 2020. He has served in the same capacity in banks in Arizona and Florida for the past 28 years. He has been in the banking industry since 1976. Mr. Ernst is a member of London Bridge Rotary, past president of Rotary and the past president of Western Independent Bankers Association, and has served as chairman or board member of numerous civic and charitable organizations.
- **Jerry Johnson** Mr. Johnson has been a licensed contractor for over 44 years. He is the president of J&P Development. J&P Development is involved in developing both commercial and residential properties in Arizona. Prior to moving to Arizona in 1988, he was also an information and education specialist in fire prevention for the U.S. Forest Service in the state of California.
- **Ralph Tapscott** Mr. Tapscott joined Horizon Community Bank in November of 2019 as President and COO. Upon Mr. Ernst's retirement, the Board of Directors appointed Mr. Tapscott at President and CEO and on the boards of Horizon Community Bank and Horizon Bancorp, Inc. Mr. Tapscott has over 31 years of banking and management, thirteen as a community bank CEO. He is active in both civic and industry associations, with current or past affiliations as Lake Havasu City Rotary Club Past President, River Cities United Way as Past Board Member and Campaign Chair, Past President of Havasu Foundation for Higher Education, Past Chairman of the Arizona Bankers Association and others.

## ***Item 2 Approval of the Horizon Bancorp, Inc. 2021 Stock Incentive Plan***

The Company's Board has approved the Horizon Bancorp, Inc. 2021 Stock Incentive Plan (the "Plan"), under which the Board or a committee designated by the Board (the "Committee") may grant stock options to directors, officers, employees, and consultants to purchase Common Stock. The Plan, a copy of which is attached as Appendix A to this Proxy Statement, was approved by the Board on March 30, 2021. The Plan will become effective upon shareholder approval and will continue in effect for five years thereafter unless sooner terminated by the Committee with the approval of the Board. A summary of the Plan follows. References to the Committee below refer to the Board if the Board does not appoint a Committee to administer the Plan.

### **Summary of the Plan**

*Introductory Comments.* The shareholders adopted incentive plans in 2006 and 2016. The proposed 2021 Plan is substantially identical to the 2016 plan, with a few clarifying changes included. The total number of shares included in the new plan matches those awarded or available in the old plan. Pursuant to the 2016 and the proposed 2021 plans, no options or awards may be granted below fair market value, so there will be accretion in book value per share if exercised in most cases, so the new plan will not differ in any way negatively from the existing plan, but the awards may have value for the grantee and the company through improved share price.

*Purpose.* The purpose of the Plan is to attract and retain the best available individuals to serve as directors, officers and employees of the Company and its subsidiaries, including Horizon Community Bank, and to recognize and reward other persons who have made valuable contributions to the organization of the Company and its subsidiaries. The Plan does so by affording its participants an opportunity to purchase or receive shares of Common Stock of the Company, thereby encouraging them to acquire a proprietary and vested interest in the performance of the Company's Common Stock. The Board believes that having an ownership interest in the Company generates an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of all shareholders.

*Administration.* The Plan will be administered by the Committee, which will have conclusive authority to construe and interpret the Plan and any related award agreement, and to establish, amend and rescind administrative policies for the administration of the Plan.

*Eligibility.* Those persons eligible to participate in the Plan are eligible directors and employees, and other persons who have made valuable contributions to the organization and/or operation of the Company. The terms, conditions and restrictions of each stock option award will be set forth in an award agreement.

*Shares Subject to the Plan.* The total number of shares of Common Stock available for awards under the Plan and awards under the old plans shall continue to collectively be 15.38% of outstanding shares and will adjust with changes in outstanding capital by any new offering, award exercise or split on a fully diluted basis.

*Stock Options.* Under the Plan, stock options may be granted in the form of non-statutory stock options, incentive stock options, restricted stock, "phantom" stock, or other forms of equity related value. The maximum aggregate value of shares that may be granted pursuant to any incentive stock option award that vest in any one fiscal year to any one holder shall not exceed \$100,000.

Options will be exercisable in whole or in part during the term, and subject to the conditions, set forth in the stock option award agreement granting such options. The terms of stock options issued under the Plan will not exceed ten years. If the holder of an option terminates employment with the Company for any reason other than death or disability (as defined in the Plan), or if the holder's employment is terminated by the Company without Cause (as defined in the Plan), then the holder may, at any time within 90 days after the effective date of the termination, exercise his or her options to the extent the options were exercisable at the date of termination. However, a holder's options will terminate immediately upon termination of employment by the Company for Cause, as defined in the Plan. In the event of the death or disability of a holder of options, the options will be exercisable for 12 months following the date of the holder's death or the date on which the holder's service to the Company or any of its subsidiaries ceases due to the holder's disability, but only to the extent the holder's options were exercisable on that date. Notwithstanding the foregoing, in no event will options be exercisable after the expiration date of the options as set forth in the individual stock option award agreement.

The Board or Committee will establish the exercise price of stock options, which exercise price **will not be less than the per share fair market value of the Company's Common Stock on the date of the grant**, except with respect to the extension of options previously issued if approved by the Committee. The exercise price will be payable in cash or shares of Common Stock, or a combination of cash and shares of Common Stock, or other consideration as may be determined by the Committee.

Stock options granted in the form of incentive stock options will also be subject to certain additional limitations, as provided in Section 422 of the Internal Revenue Code of 1986, as amended. The aggregate fair market value of Common Stock with respect to which incentive stock options may become exercisable by an employee in any calendar year may not exceed \$100,000. In addition, any incentive stock option granted to an employee who owns shares of the Company's Common Stock possessing more than 10% of the combined voting power of all classes of the Company's shares must have an option price that is at least 110% of the fair market value of the shares and will not be exercisable after five years from the date of grant.

*Change in Control.* Unless otherwise provided in a holder's award agreement or otherwise prohibited by applicable laws, rules, or regulations, if a change of control (as defined in the Plan) occurs, all outstanding options will become fully exercisable and all restrictions on outstanding options will lapse.

*Transferability.* Except as explicitly set forth in an award agreement, the rights and interest of a holder under the Plan will not be transferable, except by will or the applicable laws of descent and distribution in the event of the death of the holder.

*Adjustments upon Changes in Capitalization.* The number of shares of the Company's Common Stock as to which awards may be granted under the Plan and shares of Common Stock subject to outstanding awards will be appropriately adjusted to reflect changes in the Company's capitalization, including stock splits, stock dividends, mergers, reorganizations, consolidations, and recapitalizations on a fully diluted basis.

*Amendments.* Unless shareholder approval is required under applicable law, the Board may terminate, amend, suspend, or modify the Plan at any time without shareholder approval; *provided, however*, that no termination, amendment, suspension, or modification of the Plan may adversely affect in any material way any award previously granted pursuant to the Plan without the prior written consent of that holder.

*Federal Income Tax Consequences.* For federal income tax purposes, a holder of stock options (“optionee”) does not realize taxable income at the time of the grant of an incentive stock option or a non-statutory stock option. Upon the exercise of a non-statutory stock option, the Company is entitled to a deduction and the optionee recognizes ordinary wage income (subject to withholding) in the amount by which the fair market value of the shares the optionee receives exceeds the option price. On the subsequent sale of shares received upon the exercise of a non-statutory stock option, the difference between the fair market value of the shares on the date of receipt and the amount realized on the sale will be treated as a capital gain or loss, which will be short or long term depending on the length of the period for which shares are held prior to sale.

In the case of incentive stock options, the optionee generally does not realize taxable income until the sale of shares received upon exercise of the option. However, the difference between the option price and the fair market value of the stock on the date of exercise is treated as a preference item for purposes of the alternative minimum tax. If a sale does not take place within two years after grant and one year after exercise of the option, any gain or loss realized will be treated as long-term capital gain or loss. In this case, the Company will not be entitled to a deduction for income tax purposes in connection with the grant or the exercise of the option. If a sale occurs prior to two years after grant or one year after exercise, then the difference between the option price and the fair market value of the stock on the date of exercise (or, if less, the difference between the amount realized on sale and the market value on the date of exercise) is taxable as ordinary income to the optionee and is deductible by the Company for federal income tax purposes.

*Plan Provisions Control.* The foregoing is a summary of the Plan. To the extent that the terms of the Plan differ from the summary, the Plan provisions shall control.

*Vote Required.* Approval of the Plan requires the affirmative vote of the holders of a majority of the shares of the Company’s Common Stock present in person or by proxy and entitled to vote at the Meeting.

**The Board of Directors recommends a vote FOR the Horizon Bancorp, Inc. 2021 Stock Incentive Plan.**

***Item 3 Ratification of the engagement of Eide Bailly, LLP as the auditors for the Company for the fiscal year ended December 31, 2020.***

The Board of Directors has engaged Eide Bailly, LLP as the independent public accountants for the Company to audit the Company’s consolidated financial statements for the fiscal year ended December 31, 2020, and recommends that the shareholders vote for ratification of such engagement.

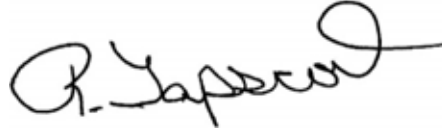
*Vote Required.* Ratifying the engagement of Eide Bailly, LLP as the Company’s auditors for the fiscal year ended December 31, 2020, requires the affirmative vote of the holders of a majority of the shares of the Company’s Common Stock present in person or by proxy and entitled to vote at the Meeting.

**The Board of Directors recommends a vote FOR the ratification of the engagement of Eide Bailly, LLP as the auditors of the Company for the fiscal year ended December 31, 2020.**

***Item 4 Other Business***

The items described herein are the only matters that the Board of Directors intends to present for a shareholder vote at the Meeting. Any other matter presented for shareholder consideration at the Meeting may be deemed not properly noticed for consideration by shareholders at the discretion of the Chairman of the Board. With respect to any other matter properly raised for consideration and voted upon by shareholders at the Meeting, the proxy holder will vote the shares represented by properly executed proxies at his or her discretion.

Horizon Bancorp, Inc.

A handwritten signature in black ink, appearing to read "R. Tapscott", with a large, stylized flourish extending from the end of the signature.

Ralph Tapscott  
President and Chief Executive Officer

Date: April 20, 2021

# Appendix A

## HORIZON BANCORP, INC. 2021 STOCK INCENTIVE PLAN

### Section 1. Purpose.

- A. **Purpose.** Through this Plan, Horizon Bancorp, Inc. and its direct or indirect Affiliates (collectively, the “**Company**”) seek to attract, retain and motivate officers, employees, directors and selected contractors of the Company. The Plan’s incentives help align their efforts with the profitability of the Company and increases in shareholder value.
- B. **Defined Terms.** Section 13 contains a Glossary of many defined terms used in this Plan. The Plan defines other terms in the text as they appear.

The Plan helps align the interest of our personnel and shareholders.

### Section 2. Administration of the Plan.

- A. **Committee.** The Board of Directors (the “**Board**”) will administer the Plan and all Awards except to the extent that it delegates administration to a Committee (as applicable, the “**Committee**”). The Committee will consist of at least two directors of the Company. If the Company is subject to Section 162(m), the Committee must contain at least one Outside Director. In that instance, unless the Committee contains only Outside Directors, it will appoint a subcommittee to act on all Awards to Executive Officers, if required and except as otherwise permitted by Section 162(m). Each Committee member serves at the pleasure of the Board.
- If no Committee is appointed to administer the Plan, the Board will act in its place, and references to the Committee include the Board when acting pursuant to this Plan.
- B. **Powers.** The Committee may grant Awards under the Plan to officers, employees and directors of and consultants or contractors to the Company. Among other things, and subject to the terms of the Plan, the Committee may determine in its sole discretion:
1. The persons to receive Awards (each, a “**Participant**”);
  2. The timing and form of each Award, including Options (ISOs or NQs), Restricted Stock (including PBRs), Stock Appreciation Rights, or any combination thereof;
  3. The number of Shares underlying an Award;
  4. The terms of any Award, including any exercise price, vesting restriction (including vesting or lapse of restrictions in installments), forfeiture, expiration date, or conditions for exercise, which terms need not be identical among Participants;
  5. Any performance goals or conditions to be satisfied in connection with an Award, including goals based on the performance of the individual, Company or any company, division or department;

The Board and the Committee have broad powers to administer the Plan.

6. Whether and how to adjust the terms of any Award at any time, in whole or in part, including accelerating the vesting or exercisability, changing the number of Shares subject to the Award, changing the performance goals or measurements for performance-based Awards, or waiving or relaxing any term;
7. Whether and how to defer Shares and other amounts payable on an Award;
8. Whether and how amounts due for any Award may be settled through cash, Shares, the cancellation of debt, tender of property acceptable to the Committee, the waiver of compensation due for services performed, or otherwise, and any combination of the foregoing;
9. Whether and how an Award may be transferred to other persons or entities, before or after vesting; the Committee may permit transfer of outstanding as well as future Awards;
10. Whether and how to cash out all or part of an Award or its underlying Shares (e.g., by paying the holder the difference, in cash or Stock, between the Fair Market Value over the exercise price times the number of Shares to be cashed out); and
11. The Fair Market Value of the Common Stock or any Award.

- B. **Agreements/Notice of Awards.** Awards will be evidenced by written agreements, the terms and provisions of which may differ. The Company will deliver a copy of the agreement promptly following the grant. The Company may sign the agreements by facsimile signature.
- C. **Administration of the Plan.** The Committee will supervise the administration of the Plan. It may adopt, alter and repeal administrative rules, guidelines and practices for the Plan. It may interpret the Plan and the terms of any Award and related agreement.
- D. **Committee Action/Delegation.** The Committee may act only by a majority of its then-current members, except it may: (1) delegate to one or more officers of the Company the authority to make decisions permitted under the Plan and by law, (2) authorize a subcommittee to act in its place if consistent with the Plan and law, and (3) authorize one or more of its members or officers of the Company to execute and deliver documents on behalf of the Committee or any subcommittee. The Committee, however, can not delegate to any officer under (1) above decisions under the Plan with respect to Executive Officers. Any other reference in this Plan to the Committee will not preclude any delegated authority permitted by this section.
- E. **Discretion to Act.** The Committee and persons with delegated authority may act in their sole discretion when granting an Award or, if permitted by the Plan, after the grant. All decisions made by the Committee or under delegated authority will be binding on all persons, including the Company and Plan Participants.

The  
Committee  
may delegate  
certain  
matters.

### Section 3. Stock Subject to Plan.

- A. **General Authorization.** During the life of this Plan, the Committee may grant Awards for Shares pursuant to this Plan up to 15.38% of the greatest number of shares of Common Stock of the Company outstanding during the Plan term on a fully diluted basis, assuming conversion of any outstanding securities or other instruments convertible into Common Stock, regardless of whether any conditions precedent to that conversion have been satisfied, subject to adjustment as provided in the Plan. Outstanding awards issued under prior stock incentive plans, programs or agreements of the Company shall count against the number of Awards that may be granted under this Plan, subject to the terms of this Plan, including Section 3.C below. The Committee may issue authorized and unissued Shares, “treasury Shares” or Shares acquired on the open market to satisfy any Award. Nothing in this Plan shall limit or affect the terms of any Awards issued under any other stock incentive plan, program or agreement by the Company or otherwise, and any awards outstanding under those other arrangements shall not be governed by this Plan or limit the number of Stock authorized pursuant to this Plan.
- B. **Limitations.** The Committee may place limits on the number of ISO’s to be granted to remain in compliance with applicable restrictions of the Code, in addition to other limitations it deems appropriate.
- C. **Adjustment in Amount.** The Shares available under the Plan will be increased by the number of Shares under this Plan or any other stock incentive plan, program or agreement (1) of Restricted Stock that are forfeited, (2) underlying an Option or SAR (without duplication) that terminates for any reason without being exercised, (3) used to offset the exercise price or to satisfy tax obligations due on the Award, exercise or vesting, or (4) underlying a Stock Appreciation Right that is exercised for cash.
- D. **Change in Corporate Structure.** The Committee or Board may adjust or substitute in its discretion the Shares reserved for issuance under the Plan, the number and exercise price of any outstanding Options and SARs, and the number of Shares subject to other Awards in the event of any change in corporate structure of the Company. Those changes include any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, or extraordinary distribution regarding the Stock. The number of Shares subject to an Award, however, must always be a whole number. Awards may not be exercised for a fraction of a Share except to the extent a change in the corporate structure results in the cash-out of any fractional Shares or Awards.

Forfeited, unused or cashed-out Shares can be reused.

#### Section 4. Options.

- A. **Date of Grant.** The grant of an Option occurs on the day the Committee selects the person to participate in the grant, determines the number of Shares subject to the Option, and specifies the terms of the Option.
- B. **ISOs and NQs.** The Committee may award Incentive Stock Options only to employees of the Company (as permitted by Section 422). The Option agreement must note whether the Option is an ISO or NQ. If an Option is not designated as an ISO, or even if so captioned it does not qualify as

Options are NQ’s unless designated as ISO’s.

an ISO, it will be a Non-Qualified Stock Option. No term of the Plan relating to an Incentive Stock Option can be interpreted, amended or altered, nor can any discretion or authority granted under the Plan be exercised so as to disqualify the Plan under Section 422 or, without the written consent of the option holder, to disqualify his or her ISOs under that section.

No Options are awarded at less than fair market value or for terms over 10 years.

**C. Terms.** Options are subject to the following terms, and any additional terms selected by the Committee:

1. **Price.** The Committee will state in the Option agreement the Option price (or formula for determining the price) per Share purchasable under that Option. ISOs must be issued at no less than the Fair Market Value of the Shares on the date those options are granted (110% if the Participant is a 10% Shareholder), unless otherwise permitted by law.
2. **Term.** All Options expire no later than 10 years after the grant date (5 years if the Participant is a 10% Shareholder and the Award is an ISO).
3. **Method of Exercise.** The Plan and Option agreement determine when holders may exercise all or part of their Options. The Committee may place restrictions on when Options can be exercised, including during approved periods surrounding determination of the Fair Market Value of the Shares. The holder must give the Company written notice stating the number of Shares to be purchased under the Option. The holder must pay the full purchase price for the Shares to be purchased at the time of exercise. The Company may determine the permitted forms of notice and payment, including whether the use of a promissory note shall be permitted. If approved by the Company, the promissory note shall contain terms and conditions as shall be acceptable to the Committee. The obligations under the promissory note shall be secured by the shares pursuant to a pledge agreement with terms and conditions as shall be acceptable to the Committee. The Company will not issue any Shares until full payment has been made.
4. **Use of Stock for Payment.** If approved by the Committee, holders may pay for Options with payment in full or through the use of unrestricted Stock already owned by the holder of the same class as the Stock subject to the Option. The Committee may permit payment for an NQ with Restricted Stock of the same class, based on the Fair Market Value of the Stock on the exercise date. In that case, Shares issued under the Option equal to the number of Restricted Shares used will become Restricted Shares with the same terms as the surrendered Restricted Shares, unless the Committee determines otherwise.
5. **Transferability/Restrictions on Transfer.** Participants may not transfer options except as permitted by the Committee or this Plan. A holder may transfer Options by will, the laws of descent and distribution, or under a domestic relations order (as defined

Full payment is due on Option exercise.

The Committee may permit transfer of Awards.

by the Code or by ERISA) (collectively, by “**Will**”). Except as noted above, all Stock Options are exercisable during the optionee’s lifetime only by the optionee or his or her guardian or legal representative. In those events, the term “holder,” “optionee,” and “Participant” include the guardian and legal representative of the optionee and any person or entity receiving an option by Will or permitted transfer. The Committee cannot permit transfer of ISOs other than by Will, unless the transfer would not terminate ISO status.

Employees may generally exercise Options after they leave the Company within the following periods:

Death: Same as the Option or 1 year generally

Retirement or Disability: 6 months

Termination for Cause: Options expire

Other reasons: 3 months

6. **Termination of Employment.** Subject to the terms of Section 11, after Termination of Employment, Participants may exercise Options, to the extent then exercisable or as accelerated by the Committee, during the periods noted below, unless otherwise permitted by the Committee or the Option Agreement. In no event, however, will the Option be exercisable after expiration of the Option term. An ISO exercised after the exercise periods permitted by the Code will be treated as an NQ.

- (a) **Death.** The Participant’s representative may exercise the Option during the periods permitted under the Option, subject to the provisions of this Plan, including Sections 11 and 12. If the optionee dies after Termination of Employment during the periods referenced in Section 4.C.6(b), that period will be extended to the extent necessary to permit exercise within one year from the date of death or the scheduled expiration of the Option, whichever is shorter.
- (b) **Disability or Retirement.** One year from the Termination of Employment due to Disability or Retirement.
- (c) **Terminations for Cause.** The Option will terminate and will not be exercisable.
- (d) **Terminations Not for Cause, Death, Disability or Retirement.** Three months from the Termination of Employment.
- (e) **Effect of Leaves of Absence:** For the purposes of this Section, it shall not be considered a termination of employment when a Participant is placed by the Company on military or sick leave or another type of leave of absence that is considered by the Company as continuing intact the employment relationship of the Participant. In those situations, the right to exercise the Options shall continue until the later of the date when the leave equals ninety (90) days or the date when the Participant's right to reemployment with the Company shall no longer be guaranteed either by statute or contract, but nothing in this subsection (e) shall extend an Option beyond its expiration date, unless otherwise required by law or the other terms of this Plan.

7. **Special Rules for ISOs.** (i) The Company shall not grant ISOs to any Participant that first vest in a given year with an aggregate Fair Market Value of the Shares, determined as of the time the ISO is granted, in excess of \$100,000. This restriction includes awards granted under the Plan or any other plan of the Company; (ii) Any Participant who disposes of shares of Common Stock acquired on the exercise of an ISO by sale or exchange either (a) within two years after the grant date of the ISO or (b) within one year after the acquisition of those Shares, shall notify the Company of that disposition and of the amount realized upon the disposition.
8. **Rights as a Shareholder.** The holder of an Option will have all the rights of a shareholder of the Company for that class or series of Stock (including, if applicable, the right to vote the securities and the right to receive dividends) when the holder gives written notice of exercise, pays for the Shares and, if requested, gives the representation described in Section 10.A.
9. **Reload Options.** Award agreements may contain a provision pursuant to which a Participant who pays all or a portion of the exercise price of an Option or the tax required to be withheld pursuant to an exercise of an Option by surrendering shares of Stock be automatically granted an Option for the purchase of Stock equal to the number of shares surrendered (a "**Reload Option**"). The grant of the Reload Option shall be effective on the date the Participant surrenders the shares of Stock in respect of which the Reload Option is granted (the "**Reload Date**"). The Reload Option shall have an exercise price equal to the Fair Market Value of the Stock on the Reload Date, unless the original Options were issued at a premium, in which case the Reload Options will be issued at the same percentage premium above the Fair Market Value on the Reload Date. The Reload Options shall have a term which is no longer, and which shall lapse no later, than the original term of the underlying Option. If stock otherwise available under an Incentive Stock Option is withheld, any Reload Option granted in connection with the withholding shall be treated as a new Incentive Stock Option, subject to the rules set forth in this Plan or as required by law or exchange rules.
10. **Stand-Alone, Tandem, and Substitute Awards.** Awards granted under the Plan may, in the Committee's discretion, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of those other Awards.
11. **Modification or Assumption of Awards.** Within the limitations of the Plan, the Committee may modify, extend or assume outstanding Awards or may accept the cancellation of outstanding Awards (whether granted by the Company or by another issuer) in return for the grant of new Awards for the same or a different number of shares and at the same or a different exercise price. The foregoing notwithstanding, no

modification of an Award shall, without the consent of the Participant, materially alter or impair his or her rights or obligations under that Award.

12. **Exchange Provisions.** The Committee may at any time offer to exchange or buy out any previously granted Award for a payment in cash, Stock, or another Award, based on the terms and conditions the Committee determines and communicates to the Participant at the time the offer is made.
13. **Capital Shortfalls.** At the direction of the Company or its primary federal regulator, the Committee may require Participants to immediately exercise or forfeit Options granted under this Plan if the Company's capital falls below the minimum requirements, as determined by its state or primary federal regulator, whether or not the Options otherwise would be exercisable at that time.
14. **Cash Out for Change in Control.** During the first 60 days after a Change in Control (the “**Exercise Period**”), an optionee may elect, by written notice to the Company, to be paid in cash the Spread for each Share underlying his or her outstanding Options, even if not then exercisable, in lieu of payment of the exercise price for the Options. The payment will be made within 30 days of that notice. The rights under this Section 4.C.14 supersede all other provisions of the Plan, but will not exist if the Committee states that at the time of the grant. The “**Spread**” is the amount the Change in Control Price per Share on the date of election exceeds the exercise price per Share. If applicable securities laws provide that Executive Officers may not make the election provided for by this paragraph for Options granted within 6 months of a Change in Control, the Options will automatically be canceled in exchange for a cash payment equal to the Spread multiplied by the number of Shares underlying the Options. That payment will be made on the day that is 6 months and 1 day after the grant of the Options.

## **Section 5. Stock Appreciation Rights.**

- A. **Grant.** The Committee may grant Stock Appreciation Rights, either alone (“**Solo SARs**”) or with all or part of any Option Award (if applicable, a “**Tandem SARs**”). Tandem SARs may be issued, either at or after the grant (at the time of grant only for ISOs) of the underlying Option Award. SARs will entitle the holder to receive cash payments upon a specified date or the occurrence of a specified event based upon the appreciation in the value of Common Stock, if any. The Committee shall determine whom to award SARs, the number of shares to which each SAR applies and the terms and conditions of the SARs granted under the Plan. Each SAR grant shall be evidenced by an agreement that shall contain the terms and conditions of the SAR Award. The provisions of each SAR Award need not be the same with respect to each recipient. The grant of a Solo SAR shall be deemed to reduce the stock available for award pursuant to Section 3 of this Plan during the period the SAR remains outstanding. The grant of a Tandem SAR and the related Option shall reduce the stock available for award pursuant to Section 3 of this Plan by

Exercise of a Tandem SAR cancels the underlying Option and vice versa.

only one share for each tandem pair of a share of stock and the related Tandem SAR.

- B. **Exercise.** SARs will terminate and be exercisable on the same terms as set forth in Section 4 for Options, except as noted in this Section 5. Solo SARs shall not be subject to the 10-year exercise restriction if authorized in the SAR Award agreement. If issued in a Tandem SAR, the SARs will terminate upon termination or exercise of the related Option, and vice versa. To exercise a Tandem SAR, the holder must surrender the applicable part of the related Option and comply with procedures established by the Committee.
- B. **Terms.** Stock Appreciation Rights are subject to the following terms, and any additional terms selected by the Committee:
1. **Same as Options.** Tandem SARs are subject to the same terms and conditions as are provided for in Section 4 above with respect to the underlying options, except upon exercise of an SAR, the holder will not become the holder of any of the Company's Common Stock and hence shall have no voting, dividend, distribution or other rights as a shareholder.
  2. **Payment for SARs.** Upon exercise of an SAR, the Company, at its election (unless otherwise provided in the SAR Award agreement) will pay cash, Shares or a combination of the two equal to the value of the SAR as determined pursuant to the SAR Award Agreement. The Committee will determine the form of payment.
  3. **Transferability of SARs.** Participants may transfer SARs only to the extent set forth in Section 4 to the same extent as Options may be transferred.
  4. **Cash Out for Change in Control.** The provisions of Section 4.C.14 also apply to SARs.

## Section 6. Restricted Stock.

- A. **Awards.** The Committee may grant Restricted Stock, which may vest based on factors like continued service over a specified period or may be based on performance criteria (the latter being "PBRS"). Unless otherwise determined by the Committee, the performance goals for PBRS Awards will be based on factors selected by the Committee, which may include without limitation total shareholder return (alone or in comparison with one or more indices), revenues (gross or net), earnings per share, expenses, margin (gross or net), changes in stock price, funds or asset turnover, market share, net income (before or after taxes), return on assets, equity, capital, investment, or sales (actual or pro forma), operating margin, net revenue growth, or cash flow. The Committee may decline to use any or all of those performance goals and it may apply these performance measures singly or in any combination. It may also link them to performance of the Company or any company, division, department or individual. The Committee may not forgive satisfaction of any performance condition specified for officers subject to Section 162(m), nor may it increase an Award to those officers over amounts

PBRS Awards can base performance on various factors.

provided for by the initial grant, unless doing so in either case is permitted by Section 162(m) or that section is not applicable to the Company. The Committee must certify attainment of the performance results if required by Section 162(m).

- B. **Awards and Certificates.** The Committee may determine the form Restricted Stock may take, including book-entry registration or issuance of one or more stock certificates. Restricted Stock will be registered in the name of the Participant. Restricted Stock certificates will bear an appropriate legend referring to the restrictions on that Award. The legend will read essentially:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms (including forfeiture) of the Company's 2016 Stock Incentive Plan and a Restricted Stock Agreement. Copies of the Plan and Agreement are on file at the offices of the Company.

The Company will hold any certificates evidencing Restricted Stock until the restrictions lapse, unless otherwise determined by the Committee. The Committee may also require, as a condition to an Award, that the Participant deliver one or more stock powers and, if appropriate, SEC Forms 144 or other applicable forms, executed in blank, relating to the Restricted Stock.

- C. **Terms.** Restricted Stock is subject to the following terms and any other terms selected by the Committee:

Restricted  
Stock cannot  
be transferred  
during the  
Restriction  
Period, with  
limited  
exceptions.

1. **No Transfer.** Except as permitted by the Plan or by Will, Committee or Restricted Stock agreement, the Participant may not transfer, sell, assign, pledge or otherwise encumber the Restricted Stock during the period set by the Committee beginning on the date of the Award (the "**Restriction Period**").
2. **Rights as a Shareholder.** Except as provided by the Plan, Committee or Restricted Stock agreement, the Participant will have all the rights of a shareholder for the same class or series of Stock as the Restricted Stock, including, if applicable, the right to vote the Shares and to receive any cash dividends. If the Committee requires in the Restricted Stock agreement, and subject to Section 10.F, (a) cash dividends on the Restricted Stock will be automatically deferred and reinvested in additional Restricted Stock, and (b) Stock dividends will be paid in the form of Restricted Stock of the same class as the dividend, unless the Committee otherwise provides.
3. **Forfeiture of Restricted Stock.** Except as provided by this Plan, the Committee, the Restricted Stock agreement or other written agreement to which the Company is a party, a Participant will forfeit all Shares of Restricted Stock still subject to restriction upon his or her Termination of Employment, including due to death, Disability, Retirement or otherwise.
4. **Certificates Upon Vesting.** Upon expiration of the Restriction Period without a prior forfeiture, the Company will deliver certificates for those Shares to the Participant which shall be free

of the restrictions noted in this Plan but shall continue to be subject to any restrictions imposed by the securities laws or any shareholder rights' agreement.

## Section 7. Non-Employee Director Awards.

Non-Employee Directors may receive options on election and each year of service, as determined by the Board from time-to-time.

Directors may elect to receive all or part of their annual retainer in Restricted Stock or Options.

- A. **Automatic Grants.** Each Non-Employee Director who has served on the Board continuously since the commencement of his or her term may be granted an annual (including partial years) of Non-Qualified Options to purchase Shares of Common Stock in an amount designated by the Board in its discretion. The grant will occur automatically on the third Thursday of July during that director's term or any other date selected by the Board. Each Non-Employee Director may also be awarded NQs to purchase shares of Common Stock on joining the Board if authorized by the Board. The exercise price for those grants will be equal to or greater than the Fair Market Value on the date of grant.
- B. **Election for Retainer Payments.** In addition to the Awards authorized by Section 7.A, each Non-Employee Director may from time to time elect to receive, in lieu of all or part of any cash retainer otherwise payable to that director, (1) Restricted Stock ("**Directors Retainer Shares**") with a Fair Market Value equal to the amount of the retainer payment to be paid on that date, (2) Non-Qualified Options to purchase Common Stock with a Fair Market Value as of that payment date equal to two and one-half times the amount of the retainer payment ("**Directors Retainer Options**"), or (3) a combination of the above. The Committee may establish minimum thresholds for election of any non-cash alternative.
- C. **Directors Retainer Shares.** Except as permitted by the Plan, Committee or Restricted Stock Agreement, Directors may not transfer Retainer Shares until the day before the annual meeting of the Company's shareholders occurring after the date of the grant of those Directors Retainer Shares. Those Shares will be forfeited to the Company if the director ceases to be a Board member prior to that date except as otherwise provided by this Plan.
- D. **Directors Retainer Options.** Except as provided below, Directors Retainer Options may be exercised in whole or in part commencing on the day before the next annual meeting of shareholders and ending ten years after the date of grant. If the director ceases to be a Board member before the Directors Retainer Option becomes exercisable, the Option becomes void, except as provided by this Plan. The exercise price will be the Fair Market Value of the Shares on the date of grant.
- E. **Death, Disability or Retirement of a Director.** If a Participant ceases to be a Board member due to death, Disability or Retirement as a director at the end of a term or upon a Change in Control, then any Directors Retainer Shares and Directors Retainer Options will immediately vest and become exercisable, as the case may be. Any restriction on transfer imposed by this Plan and any risk of forfeiture will cease on any of those events.
- F. **Expiration of Directors Retainer Options.** Directors Retainer Options that are exercisable but have not been exercised expire six months after

the date the director ceases to be a Board member, except as noted below. If the Board membership ceases due to death, Disability or Retirement as a director at the end of a term, those Options may be exercised for one year after termination of Board membership, and if the director dies within the six month or one year periods noted above, the Options may be exercised at any time within one year after the death. Nothing in this paragraph or Section 7.E permits exercise of any Options beyond the original ten -year term.

- G. **Allocation of Shares.** If the number of Shares available for future grants under the Plan is not sufficient to make all automatic grants required to be made on that date, then all Non-Employee Directors entitled to a grant on that date will share proportionately in the available Options. In addition, no elections under Section 7.B can be made until all automatic grants for that date have been made, and the directors who have elected to receive all or any portion of their retainer under that subsection will share ratably in the number of remaining available Shares.
- H. **Other Terms.** Except as expressly provided in this Section 7, any Award granted under this Section will be subject to the terms of the Plan, including those contained in Sections 4, 6 and 8, as appropriate.

## Section 8. Change in Control Provisions.

- A. **Impact of Event.** Notwithstanding any other provision in this Plan to the contrary, if a Change in Control occurs:
1. **Options and SARs.** Any unvested or unexercisable Options and SARs outstanding as of the date of the Change in Control become fully vested and exercisable to the full extent of the original grant, without regard to the three -month limit on exercisability imposed by Section 4.C.6(d) of the Plan.
  2. **Restricted Stock.** The restrictions on Restricted Stock lapse, and it will become free of all restrictions (other than those imposed by the securities laws or any shareholders' agreement). The Restricted Stock will fully vest immediately, including full vesting of the maximum number of Shares or payouts as if maximum performance conditions or goals were achieved, as applicable.
- B. **Definition of Change in Control.** For purposes of the Plan, a "Change in Control" means the happening of any of the following events:
1. **Acquisition.** An acquisition by any person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person") of beneficial ownership (within the meaning of SEC Rule 13d-3) of 50% or more of either (a) the then outstanding common stock (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities entitled to vote generally in the

Awards vest and can be exercised if a Change in Control occurs.

election of directors (“**Outstanding Voting Securities**”) of the Company.

**Exceptions.** No Change of Control will have occurred for any acquisition (i) directly from the Company, other than one by exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, including any warrants or convertible preferred stock, (ii) by the Company, (iii) by any employee benefit plan or related trust sponsored or maintained by the Company, or (iv) by any corporation pursuant to a transaction that complies with clauses (a), (b) and (c) of the Exception contained in subsection 3 of this Section 8.B; or

2. **Change in the Board.** A change in the composition of the Board so that the members who as of the Effective Date constitute the Board (the “**Incumbent Board**”) cease for any reason to be at least a majority of the Board. Any person who becomes a Board member after the Effective Date whose election or nomination for election was approved by at least a majority of the Incumbent Board will also be a member of the Incumbent Board, unless his or her initial assumption of office occurs due to either an actual or threatened election contest (as those terms are used in SEC Rule 14a-11 or SEC Regulation 14A) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
3. **Corporate Transaction.** The Company’s shareholders approve a reorganization, merger, consolidation or sale or other disposition of all or substantially all the assets of the Company (a “**Corporate Transaction**”).

**Exception.** If all of the following apply, the instance will not be a Corporate Transaction: (a) all or substantially all of the beneficial owners of the Company’s Outstanding Common Stock or Outstanding Voting Securities, respectively, immediately prior to the Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the Outstanding Common Stock and the Outstanding Voting Securities of the corporation resulting from the Corporate Transaction (including any corporation that owns the Company or all or substantially all of the Company’s assets directly or indirectly) in substantially the same proportions as their ownership immediately prior to the Corporate Transaction, (b) no Person (other than the Company, any employee benefit plan -- or related trust -- of the Company or the corporation resulting from the Corporate Transaction) will beneficially own, directly or indirectly, 40% or more of the Outstanding Common Stock or Outstanding Voting Securities, except to the extent that ownership existed prior to the Corporate Transaction, and (c) members of the Incumbent Board constitute at least a majority of the board of directors resulting from the Corporate Transaction; or

4. **Liquidation/Dissolution of the Company.** The shareholders of the Company approve a complete liquidation or dissolution of the Company.

C. **Change in Control Price.** For purposes of this Plan, “**Change in Control Price**” means the higher of (1) the highest reported sales price, regular way, of a Share in any transaction, (2) if the Change in Control results from a tender or exchange offer or a Corporate Transaction, the highest price per Share paid in that tender or exchange offer or Corporate Transaction, or absent either of the foregoing, (3) the Change in Control Price determined by the Board. For Incentive Stock Options and Stock Appreciation Rights relating to ISOs, the Change in Control Price will be in all cases the Fair Market Value of the Stock on the date the ISO or SAR is cashed out. To the extent the consideration paid in any Change in Control transaction consists of all or in part securities or other non-cash consideration, the Board will determine the value of the securities or non-cash consideration in its discretion.

## Section 9. **Effective Date/Term/Amendment/Termination**

A. **Effective Date.** This Plan is effective upon approval by the Board. Those provisions requiring shareholder approval to be effective, including those necessary for qualification under Section 162(m), Section 422, will not be effective until those provisions are ratified and approved by the Company’s shareholders.

B. **Termination.** The Plan shall terminate on the fifth anniversary of the initial effective date of the Plan unless terminated earlier by the Board or Committee, subject to Section 9.C. Awards outstanding as of the date the Plan terminates will not be affected or impaired by that termination.

C. **Changes to the Plan/Restrictions.** The Board may amend, alter or discontinue the Plan, including to incorporate changes in law, tax and accounting rules, securities exchange requirements or other developments, and to grant Awards that qualify for beneficial treatment under those changes. No change can be made, however, that would (1) impair the rights of a Participant granted before that date without the Participant’s consent, except for a change made to cause the Plan to qualify for exemptions provided by then-current law, including exemptions relating to securities and taxation, or (2) disqualify the Plan from the exemptions provided by SEC Rule 16b-3, if applicable, or for favorable tax treatment under Sections 162(m), 409A or 422, if applicable or as required by law. No amendment can be made without approval of the Company’s shareholders if their approval is required by law or is necessary to maintain the exemptions under Rule 16b-3 or Sections 162(m) or 422, if applicable. No term of the Plan can be interpreted, amended or altered, nor can any discretion or authority to act under the Plan be exercised so as to disqualify the Plan under Sections 162(m), 409A or 422 or Rule 16b-3, if applicable, and if changes to this Plan are required to cause the Plan to be in compliance with those laws, those changes shall automatically be deemed to be made. All Awards outstanding on the effective date of these amendments to this Plan will remain outstanding and will become subject to the terms of this Plan as amended. Shareholder approval of any amendments, suspensions or

The Board may amend the Plan but may not adversely impact existing Awards, with certain exceptions.

terminations of the Plan shall be required only to the extent mandated by law or the rules of any national or regional stock exchange on which the Company's Shares are traded.

- D. **Changes to Prior Awards/Restrictions.** The Committee may amend the terms of any Award granted before the date of the Committee action, prospectively or retroactively, but no amendment can impair the rights of any holder without the holder's consent, except as noted in this Section 9. The Committee may also substitute new Options for previously granted Options, including previously granted Options having higher exercise prices.

## Section 10. General Provisions.

A. **No Intent to Transfer.** The Committee may require each person acquiring an Award or the underlying Shares to represent to and agree with the Company in writing that the person is acquiring the Award or Shares without a view to the distribution thereof. All Shares or other securities issued under the Plan will be subject to stop transfer orders and other restrictions imposed by the Committee, including restrictions imposed by law, stock exchange rules or other restrictions. The certificates for Shares or other Awards may contain any legend the Committee deems appropriate regarding any restrictions on transfer or otherwise.

B. **Other Compensation Permitted.** Nothing in this Plan will prevent the Company from adopting other or additional compensation arrangements for their employees. No payment or Award under this Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company.

C. **No Right to Awards or Employment Rights.** Nothing in this Plan or any Award will confer on any employee any right to receive an Award or to continued employment, nor will either interfere with the right of the Company to terminate the employment of any employee at any time.

D. **Taxes.** The Participant must pay to the Company or make arrangements satisfactory to the Company regarding the payment of any Federal, state, local and foreign taxes of any kind required by law to be withheld regarding any Award. The Participant must satisfy that tax obligation no later than when the amount becomes includible in the person's gross income for Federal income tax purposes. If permitted by the Committee, withholding obligations may be settled with Stock, including Stock that is part of the Award giving rise to the tax obligation. The obligations of the Company under the Plan are conditional on satisfaction of these taxes. The Company may deduct any taxes due from any payment otherwise due the Participant unless prohibited by law.

E. **Plan Expenses.** The Company shall bear the cost of administering this Plan, except as expressly provided otherwise by this Plan.

Participants  
must pay taxes  
due on Awards.

- F. **Reinvestment of Dividends Subject to Availability.** The reinvestment of dividends in additional Restricted Stock can only occur if sufficient Shares are available under Section 3 for that reinvestment (taking into account then outstanding Awards).
- G. **Beneficiary Designation.** The Committee may establish procedures for a Participant to designate a beneficiary to whom any amounts payable in the event of the Participant's death are to be paid.
- H. **Governing Law and Exclusive Jurisdiction of Disputes.** The Plan and all Awards made and actions taken under the Plan will be governed by and construed in accordance with the laws of the State of Arizona without regard to its conflicts of law principles. Any dispute or controversy arising pursuant to this Plan or any Award issued hereunder shall be resolved in mediation, arbitration or judicial forums located in Maricopa County, Arizona, which forums shall have exclusive jurisdiction and venue over those disputes unless all the parties to those matters expressly agree otherwise in writing.
- I. **Unfunded Status of Plan.** The Board intends that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may create trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or make payments. Unless the Committee otherwise determines, however, the existence of those trusts or arrangements shall be consistent with the unfunded status of the Plan.
- J. **Lock-up Agreement.** In addition to any other restrictions on transfer, a Participant shall not, without the prior written consent of the Committee in its discretion, offer or sell any Stock acquired pursuant to the Plan for up to one hundred eighty (180) days after (a) the closing of the first initial public offering of securities of the Company registered under the Securities Act or (b) in the event that subsequent to that initial public offering the Stock is not listed and traded upon a recognized securities exchange or quoted on a recognized national market system, the closing of each offering of securities of the Company registered under the Securities Act subsequent to that first initial public offering through and including the offering after which the Stock is listed and traded upon a stock exchange or system.
- K. **Stock Certificates.** All Stock certificates delivered under the Plan (or book-entry notations) are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal or state securities laws and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate to reference restrictions applicable to the Stock.
- L. **Dissolution or Liquidation.** To the extent not previously exercised, Awards shall terminate immediately prior to the dissolution or liquidation of the Company unless the Board or Committee otherwise determine before or after the occurrence of those events.
- M. **Government and Other Regulations.** The obligation of the Company to make payment of Awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to any approvals by

government agencies as may be required. The Company shall be under no obligation to register under the Securities Act, any of the Shares issued under the Plan or to issue any Shares or Awards to the extent doing so would violate any law or stock exchange rule applicable to the Company, and the Company shall be relieved of all liability for its refusal to issue those Shares or Awards based on advice of counsel to the Company or other directive. If the Shares paid under the Plan may in certain circumstances be exempt from registration under the Securities Act, the Company may restrict the transfer of those Shares in a manner as it deems advisable to assure the availability of any exemption.

- O. **Nonexclusivity of the Plan.** Neither the adoption of the Plan nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt any other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or individuals) as the Board in its discretion determines desirable, including the granting of stock options or other rights otherwise than under the Plan.
- P. **Headings and “Side Bars”.** The headings and “side bars” are included in this Plan for convenience, and those shall not alter or limit the terms hereof. To the extent the remaining terms of this Plan differ from the contents of the headings or side bars, the remaining terms of the Plan shall control the interpretation.
- Q. **Indemnification of the Board and Committee.** In addition to any other rights of indemnification as they may have as members of the Board, the members of the Board and Committee shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award, and against all amounts paid by them in settlement thereof (provided the settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any related action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any action, suit or proceeding, a Board or Committee member shall, in writing, give the Company notice thereof and an opportunity, at its own expense, to handle and defend the same before the Board or Committee member undertakes to handle and defend it on her or his own behalf.

## Section 11. Right to Repurchase

- A. **Right of Repurchase.** In the event that any of the events specified in Section 11.B occur, then, with respect to any of the Awards or Shares acquired upon exercise of an Award pursuant to this Plan (collectively, the “**Securities**”), the Company shall have the option, but not the obligation, to repurchase all or any of those Securities on the terms set forth below (the “**Repurchase Option**”), except to the extent otherwise provided in any written agreement to which the Company is a party with the Participant. To exercise the Repurchase Option, the Company shall send or deliver notice to the Participant or his or her legal representative, of its intent to exercise that

right within ninety (90) days following the occurrence of the event (the “**Repurchase Period**”) and to designate which Securities are to be repurchased and the proposed terms of that repurchase, as discussed more fully below. The Company may, in exercising this repurchase option, designate one or more nominees to purchase the Securities, either with or without the participation of the Company.

- B. The Company shall have the Repurchase Option in the event that any of the following occur:
1. The termination of Participant’s employment, service as a Director or engagement as a consultant to the Company. The Fair Market Value of the Securities shall be determined as of the last day of the month preceding the month in which the Participant ceases to be so employed or engaged, as applicable.
  2. The receivership, bankruptcy or other creditors proceeding regarding Participant or the taking of any of the Securities by legal process, such as a levy of execution, whether or not Participant then is employed or engaged by the Company. The Repurchase Period shall commence on the date the Company receives actual notice of the commencement of pendency of the receivership, bankruptcy or other creditor’s proceeding, or the date it receives notice of that taking, as the case may be. The Fair Market Value of the Securities shall be determined as of the last day of the month preceding the month in which the proceeding involved commenced or the taking occurred.
  3. Distribution of any of the Securities by Participant to his or her spouse as the spouse’s joint or community interest pursuant to a decree of dissolution, property settlement agreement or for any other reason, except as may be otherwise permitted by the Company, whether or not Participant then is employed by the Company. The Repurchase Period shall be deemed to commence on the day the Company receives actual notice of that distribution. The Fair Market Value of the Securities shall be determined as of the last day of the month preceding the month in which the decree, agreement or, if there is no decree or agreement, the distribution occurs.
- C. Fair Market Value of the Securities, as used in this Section 11, shall be based on an amount per share determined on the basis of the price at which shares of the Common Stock could reasonably be expected to be sold in an arms-length transaction, for cash, other than on an installment basis, to a person not employed by, controlled by, in control of or under common control with the Company, as follows:
- a. The fair market value shall initially be determined by the Board of Directors of the Company, giving due consideration to recent transactions involving shares of the stock, if any, earnings of the Company to the date of such determination, the absence of a public market for the Common Stock, and other matters as the Board deems pertinent (the “**Board Valuation**”);

- b. Participant shall have the right to review the assumptions, calculations and information used by the Board of Directors in determining the Board Valuation and shall have 10 business days after Participant's receipt of the Board Valuation to give written notice to the Company of any disagreement with the Board Valuation, indicating the fair market value Participant attributes to the Securities (the "**Participant Valuation**") and specifying in reasonable detail, insofar as feasible, the nature and extent of Participant's disagreement with the Board Valuation;
- c. The Company and Participant shall then attempt to agree upon a mutually acceptable fair market value for the Securities. If the Company and Participant are unable to reach agreement as to Fair Market Value within 10 days after Participant gives the Company notice of the Participant Valuation, the disagreement shall be referred for final determination to the Company's accounting firm, or if that firm is unwilling to serve, another independent accounting firm that the Board of Directors selects in good faith (the "**Independent Accounting Firm**"), which shall make a final determination regarding that disagreement within 30 days after referral thereof;
- d. Any determination with respect to the Fair Market Value of the Securities made by the Independent Accounting Firm shall be made on the basis of the application of the standards set forth in this Section 11(c), and the decision of the Independent Accounting Firm (the "**Accountant Valuation**") shall be final and binding and shall not be subject to review or challenge of any kind; and
- e. The Company and Participant shall each pay one-half of the fees and disbursements of the Independent Accounting Firm, if any.

## **Section 12 Right of First Refusal.**

- A. If at any time, whether during the continuance of Participant's employment by or service as a Director with the Company, or thereafter, Participant, or his or her legal representative, as the case may be (a "**Seller**") desires to sell, transfer (by gift or otherwise), assign, hypothecate, pledge, grant as a security interest, or in any other way dispose of or alienate any of the Securities or any interest therein ((hereinafter referred to as a "**Disposition**") other than by gift to the spouse, parents or children of Participant or to the parents or children of the spouse of Participant or to a trust established solely for the benefit of any one or more of those persons (a "**permitted transfer**"), and so long as the transferee agrees, prior to the transfer, in a writing acceptable to the Company to hold those Securities subject to the terms of Section 11 and 12 of this Plan), the Seller shall give written notice to the Company of Seller's intent to make a Disposition of the Securities (the "**Disposition Notice**"). The Disposition Notice shall contain a statement signed by the Seller notifying the Company that the Seller desires to make a Disposition of a specified number of the Securities or an interest therein and shall be accompanied by a copy of the bona fide offer to purchase those shares, in case of a sale, or a description of the proposed transaction with respect to any other Disposition, and shall set forth the following:

- a. The full name and address of the intended transferee (the “**Transferee**”);
  - b. The number of the Securities to be purchased by, or transferred to, the Transferee;
  - c. The price, in case of a sale, and other terms under which the purchase is intended to be made;
  - d. A statement, in case of a sale, signed by the Transferee, that the price and other terms specified are a bona fide offer to purchase; and
  - e. A representation, in case of a sale, by the Transferee that he or she or it has the financial capability necessary to consummate the purchase.
- B. The Company shall have 30 days from the date of receipt of the Disposition Notice within which to exercise an option to purchase the Securities covered by that notice (the “**First Refusal shares**”), at the same price and upon the same terms as set forth in such Disposition Notice (the “**First Refusal Option**”), by giving the Seller written notice of its intention to exercise that right. The Company may, in exercising the First Refusal Option, designate one or more nominees to purchase the First Refusal Shares, either with or without the participation of the Company. The First Refusal Option shall apply to all, but not less than all, of the First Refusal Shares. Notwithstanding the generality of the foregoing, however, the purchase price for the First Refusal Shares may, at the option of the Company, be paid (1) in the same manner provided in the First Refusal Offer, (2) in cash in an amount equal to the present value of any payments to be made over a period of time according to the terms of the First Refusal Offer, (3) by use of a promissory note to be paid in equally quarterly installments on the purchase date and over the next three years following that date, or (4) if the terms specified in the First Refusal Offer state that payment is to be made in property, in an amount equal to the fair market value of that property as of the date the Company receives the First Refusal Offer, as determined in good faith and on any reasonable basis, by the Board. For purposes of any computation made pursuant to this paragraph, the present value of any amount to be paid in the future shall be determined by the Board by discounting that amount using an interest rate of five percent (5%).
- C. If the Seller desires to make a Disposition of any of the Securities other than by sale, including, without limitation, by gift, pledge, hypothecation or the grant of a security interest, other than a permitted transfer, the Seller shall obtain the prior written approval of the Company to the proposed transfer, which approval the Company may give or withhold in its sole discretion.
- D. If the First Refusal Shares are not purchased pursuant to the related Disposition Notice by the Company in accordance with this Section 12, in the case of a proposed sale, or if the Company approves a Disposition other than by sale, the Seller may make a bona fide transfer of the First Refusal Shares to the respective transferee or transferees named in the related First Refusal Offer; provided, however, that (1) the transfer shall only be made in strict accordance with the terms stated in the First Refusal Offer, and immediately following the transfer, the transferor shall so certify in writing to

the Company, and (2) before any such transfer shall become effective or be recorded in the books of the Company, each transferee of the First Refusal Shares shall agree in writing to hold the shares subject to the terms of this Agreement, except for Section 11 hereof in the event the transferee is not an employee or director of the Company. In the event the Participant does not make the transfer for a period of 60 days following the date on which the Company receives the Disposition Notice, no transfer of the First Refusal Shares covered by the Disposition Notice shall be made without a new Disposition Notice from the Seller to the Company in accordance with this Section 12 and in full compliance with all provisions hereof.

- E. Closing. The closing with respect to a purchase of Shares by the Company pursuant to Sections 11 or 12 (the “**Closing**”) shall occur at the principal executive office of the Company on the date and time agreed to by the parties, but if no agreement is reached, the Closing shall occur at 10:00 a.m., local time, on the last business day of the 30-day period beginning with the last day of the Repurchase Period or the First Refusal Period, as the case may be.
- F. Deliveries at Closing. At the Closing, (a) Participant or his or her legal representative, as the case may be, shall deliver to the Company or its designee, as the case may be, (1) share certificate(s), duly endorsed for transfer, representing the Securities or the First Refusal Shares, as the case may be, to be purchased at the Closing, and (2) a written statement from Participant or his or her legal representative, as the case may be, that the shares are owned by the person, free and clear of any liens, claims, pledges, security interests or other encumbrances, and (b) the Company or its designee, as the case may be, shall deliver to Participant or his or her legal representative, as the case may be, (1) the purchase price for the shares, as determined in accordance with Section 11 or 12, as applicable, in the form of a check or a promissory note in the Company’s standard form, and (2) if applicable, a share certificate for the number of shares, if any, represented by the share certificate(s) transferred to the Company that are not First Refusal Shares.
- G. Other Agreements. If the Company and the Participant are parties to an agreement providing for a First Refusal Option or similar repurchase right, the terms of that agreement shall supersede the provisions of this Section 12.

### **Section 13. Definitions.**

In addition to terms defined elsewhere in this Plan, as used in this Plan:

**"10% Shareholder"** means an employee Participant who owns ten percent (10%) or more of the Common Stock as that amount is calculated under Section 422(b) (6) of the Code.

**“Affiliate”** means a corporation or other entity directly or indirectly controlled by the Company and designated by the Committee as eligible to participate in this Plan.

**“Award”** means an Option, Stock Appreciation Right or Restricted Stock grant issued under the Plan.

**“Board”** means the Board of Directors of the Company.

**“Cause”** means any of the following: (i) conviction of or entrance of a plea of guilty or *nolo contendere* to a felony; (ii) fraudulent conduct by Participant, whether or not in connection with the business affairs of the Company; (iii) theft, embezzlement, or other criminal misappropriation of funds by Participant, whether or not from the Company; (iv) an order from the Federal Deposit Insurance Corporation, the Arizona Department of Financial Institutions or other state or federal agency having regulatory jurisdiction over the Company’s business affairs requiring Participant to be removed from office pursuant to authority granted by applicable law, (v) Participant's failure to comply with any reasonable and lawful direction of the Board, any provision of this Agreement, or any rule, regulation or policy established by the Board from time to time regarding the conduct of the Company’s business, if Participant fails to cure that failure within 30 days after Participant’s receipt of written notice thereof from the Company, or (vi) Participant’s failure to perform his or her duties and responsibilities hereunder in good faith and in accordance with reasonable business judgment. The foregoing definition of Cause shall apply for all purposes hereunder notwithstanding any definition of "cause" that may be contained in any employment agreement to which any Participant may be a party.

**“Change in Control”** is defined in Section 8.B.

**“Code”** means the Internal Revenue Code of 1986, as amended, and any successor provisions. The Code includes its related rules.

**“Committee”** is defined in Section 2.A.

**“Common Stock”** means the common stock of the Company.

**“Disability”** means permanent and total disability under the Company’s policies as they then exist. For ISOs, Disability shall also be subject to the requirements of Section 22(e)(3) of the Code. The Committee may amend or interpret, for purposes of the Plan, the Company’s disability policies in its discretion, except that definition shall continue to also be restricted by the Code’s provisions if required by law.

**“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and any successor provisions. The Exchange Act includes its related rules, as they may be amended.

**“Executive Officers”** means the Chief Executive Officer, the President, if any, and any Executive Vice President of the Company.

**“Fair Market Value”** as of any given date depends on whether the Stock is immediately resold. The resale price is the fair market value if the Participant resells that Stock in an arms-length transaction or on the open market on the same date the Fair Market Value is to be determined. Absent a third party sale, the Fair Market Value is the average of the high and low reported sales prices of the Stock on the given date if a trading market for the shares exists, or if not, at a price determined by the Board or Committee in its sole discretion. The reported sales price will be determined in the following order, as applicable: the NYSE Composite Tape, any other national stock exchange listing the stock, NASDAQ, or if the Stock’s sales are not regularly reported by any of the above, by the Committee in its good faith discretion. For any day that is not a trading day on

the national securities markets, the previous trading day will determine Fair Market Value.

**“Incentive Stock Option”** or **“ISO”** means any Option intended to be and designated as an “incentive stock option” within the meaning of Section 422 of the Code.

**“Including”** even if not capitalized, means including without limitation.

**“Non-Employee Director”** means a director who is not otherwise an employee of the Company and has not been so employed for any part of the preceding fiscal year.

**“Non-Qualified Option”** or **“NQ”** means any Option that is not an ISO.

**“Option”** means an option granted under Section 4 or 7.

**“Outside Director”** means a director who satisfies the requirements of an “outside director” as defined in Section 162(m) and who otherwise satisfies the requirements of a “non-employee director” under Rule 16b-3, as if the Company were a public company.

**“Plan”** means this 2015 Stock Incentive Plan, as it may be amended.

**“Performance Based Restricted Stock”** or **“PBRs”** means Restricted Stock with performance conditions other than the mere passage of time or continued employment or service which satisfy the requirements as performance-based compensation under Section 162(m).

**“Preferred Stock”** means preferred stock, of the Company.

**“Restricted Stock”** means an Award granted under Section 6 or 7.C.

**“Retirement”** means (A) retirement from active employment as defined in a retirement plan of the Company, (B) retirement under an employment contract with the Company, or (C) termination of employment (or service as a non-employee director) at or after age 65 under circumstances that the Committee in its sole discretion deems to be retirement.

**“Rule 16b-3”** means SEC Rule 16b-3 pursuant to the Exchange Act.

**“SEC”** means the Securities and Exchange Commission or any successor.

**“Section 162(m)”** means Section 162(m) of the Code.

**“Section 409A”** means Section 409A of the Code.

**“Section 422”** means Section 422 of the Code.

**“Shares”** or **“Stock”** means the Common Stock of the Company, as adjusted for any share splits, reorganizations or similar matters.

**“Stock Appreciation Right”** or **“SAR”** means a right granted under Section 5.

**“Termination of Employment”** means the termination of the Participant’s employment with the Company. It also occurs if the Participant is employed by a

division, department that ceases its affiliation with the Company. In any case, the Participant will not incur a Termination of Employment if he or she immediately becomes an employee of the Company following that event.

