

**PROXY STATEMENT      PROSPECTUS**

**CASHMERE VALLEY BANK**  
Cashmere, Washington

**CVB HOLDINGS, INC.**  
Cashmere, Washington

**Annual Meeting of Shareholders to be held on  
Tuesday, May 16, 2023, 6:30 p.m.**

**Common Stock  
\$0.01 par value per share**

**THIS DOCUMENT SERVES AS A PROXY STATEMENT FOR THE ANNUAL MEETING OF THE SHAREHOLDERS OF CASHMERE VALLEY BANK TO BE HELD ON MAY 16, 2023, AND ALSO AS A PROSPECTUS FOR THE OFFERING OF SHARES OF COMMON STOCK OF CVB HOLDINGS, INC.**

---

This Proxy Statement and Prospectus (this “Proxy Statement”) is furnished in connection with the solicitation of proxies by the Board of Directors of Cashmere Valley Bank, a Washington state commercial bank (the “Bank”), for use at the Annual Meeting of the Shareholders of the Bank (the “Annual Meeting”) to be held at 124 E Penny Road, Wenatchee, WA 98801 on May 16, 2023, 6:30 p.m., Cashmere, Washington time. Shareholders may also attend the meeting by dialing 1-844-506-8367 and entering the access code 11580. The Annual Meeting is being called and held for the following purposes, which are described in more detail in this Proxy Statement:

1. To elect seven directors to hold office until the next annual meeting of shareholders and until their respective successors are duly elected and qualified.
2. To consider and vote upon the proposed Agreement and Plan of Share Exchange and Reorganization (the “Exchange Agreement”), pursuant to which CVB Holdings, Inc., a newly formed Washington corporation (the “Company”), will exchange shares of its common stock, \$0.01 par value per share (the “Company Stock”), for shares of the Bank’s common stock, no par value per share (the “Bank Stock”), held by the Bank’s shareholders (the “Share Exchange”), for the purpose of forming a bank holding company for the Bank, all on and subject to the terms and conditions contained in the Exchange Agreement, and the transactions contemplated thereby.
3. To transact any and all other business that may properly come before the Annual Meeting and any adjournments thereof.

Pursuant to the terms of the Exchange Agreement, each person who owns one or more shares of the Bank Stock (each a “Bank Shareholder” and together the “Bank Shareholders”), other than Bank Shareholders who exercise dissenters’ rights or are ineligible for reasons explained herein, will have each share of Bank Stock that they own converted into and exchanged for one share of Company Stock. Consummation of the Share Exchange is subject to receipt of Bank Shareholder and regulatory approvals and certain other conditions. The Share Exchange will result in the Company acquiring 100% of the issued and outstanding shares of Bank Stock. A copy of the Exchange Agreement is attached to this Proxy Statement at Appendix A.

Following consummation of the Share Exchange, the Bank will continue its existing banking operations at its existing locations, although as a wholly owned subsidiary of the Company, which will be a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the “BHCA”).

No person has been authorized to give any information or to make any representations other than those contained in this Proxy Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Bank. This Proxy Statement shall not constitute an offer by the Company to sell, or the solicitation of an offer by the Company to buy, any securities other than the securities to which this Proxy Statement relates, nor shall there be any sale of the securities offered by this Proxy Statement in any state to any person to whom it would be unlawful prior to registration or qualification under the laws of such state for the Company to make such an offer or solicitation. Neither the delivery of this Proxy Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Bank since the date hereof.

---

**AN INVESTMENT IN COMPANY STOCK IN CONNECTION WITH THE SHARE EXCHANGE INVOLVES RISKS. SEE “RISK FACTORS” BEGINNING ON PAGE 10 OF THIS PROXY STATEMENT.**

**THIS PROXY STATEMENT DOES NOT CONSTITUTE AN OFFER IN, OR TO RESIDENTS OF, ANY JURISDICTION WHICH REQUIRES REGISTRATION OF THE SECURITIES OFFERED HEREBY. THIS PROXY STATEMENT HAS NOT BEEN FILED WITH OR REVIEWED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), ANY STATE SECURITIES BOARD, THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE “FDIC”), OR THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AND NONE OF THE FOREGOING ENTITIES HAS ENDORSED, APPROVED OR DISAPPROVED THE SECURITIES TO BE ISSUED IN THE SHARE EXCHANGE OR DETERMINED IF THIS PROXY STATEMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**

**THE SECURITIES OF THE COMPANY OFFERED HEREBY ARE NOT OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FDIC OR ANY OTHER GOVERNMENTAL AGENCY.**

**The date of this Proxy Statement is March 31, 2023.**

## TABLE OF CONTENTS

	<u>Page</u>
QUESTIONS AND ANSWERS ABOUT THE SHARE EXCHANGE AND THE ANNUAL MEETING	1
SUMMARY OF THE SHARE EXCHANGE .....	4
SPECIAL CAUTIONARY NOTICE REGARDING FORWARD LOOKING INFORMATION .....	8
RISK FACTORS .....	10
AGREEMENT AND PLAN OF SHARE EXCHANGE AND REORGANIZATION.....	15
RIGHTS OF DISSENTING SHAREHOLDERS .....	18
MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES .....	19
DIRECTOR NOMINEES .....	21
DESCRIPTION OF THE COMPANY STOCK.....	21
COMPARATIVE RIGHTS OF SHAREHOLDERS.....	22
NATURE OF THE TRADING MARKET AND MARKET PRICES.....	23
DIVIDENDS.....	24
BUSINESS OF THE COMPANY AND THE BANK .....	24
MANAGEMENT.....	26
BENEFICIAL OWNERSHIP OF BANK STOCK BY PRINCIPAL SHAREHOLDERS AND MANAGEMENT.....	28
SUPERVISION AND REGULATION .....	29
FINANCIAL STATEMENTS .....	42
AVAILABLE INFORMATION.....	42

[This page intentionally left blank]

## **QUESTIONS AND ANSWERS ABOUT THE SHARE EXCHANGE AND THE ANNUAL MEETING**

**Q: What will happen in the Share Exchange?**

A: In the Share Exchange, the Company will exchange shares of Bank Stock held by the Bank's Shareholders for shares of Company Stock for the purpose of causing the Company to become a bank holding company for the Bank. If the Share Exchange is approved and subsequently completed, each outstanding share of Bank Stock, except any dissenting shares and shares held by ineligible Bank Shareholders (see "Summary - Basis of Conversion of Bank Stock Owned by Other Shareholders"), will be exchanged for one share of Company Stock. Following the Share Exchange, the Bank will continue the existing banking operations at its current locations as a wholly owned subsidiary of the Company.

**Q: What will I, as a Bank Shareholder, receive when the Share Exchange occurs?**

A: If the Exchange Agreement is approved and the Share Exchange is subsequently completed, you will receive one share of Company Stock for each share of Bank Stock that you own at the effective time of the Share Exchange.

**Q: When do you expect to complete the Share Exchange?**

A: The Bank expects the Share Exchange to become effective in the third quarter of 2023, although delays could occur.

**Q: When and where will the Annual Meeting of the Bank's Shareholders be held?**

A: The Annual Meeting of the Bank's Shareholders is scheduled to be held at 124 E Penny Road, Wenatchee, WA 98801 on May 16, 2023, 6:30 p.m., Cashmere, Washington time. Shareholders may also attend the meeting by dialing 1-844-506-8367 and entering the access code 11580.

**Q: What are the Bank Shareholders being asked to vote upon at the Annual Meeting?**

A: The Bank Shareholders are being asked to (1) elect seven directors of the Bank to hold office until the next annual meeting of Bank Shareholders, (2) consider and vote upon the Exchange Agreement and the transactions contemplated thereby and (3) transact any and all other business that may properly come before the Annual Meeting and any adjournments thereof. The Bank's management knows of no other business to be brought before the Annual Meeting.

**Q: What is the recommendation of the Board of Directors?**

A: The Bank's Board of Directors has unanimously approved the Exchange Agreement and recommends that the Bank Shareholders vote FOR the election of each of the seven directors and FOR the proposal to approve and adopt the Exchange Agreement and the transactions contemplated thereby.

**Q: What votes are required to elect directors and to approve the Exchange Agreement?**

A: Directors will be elected by a majority of the votes cast by shares entitled to vote. Bank Shareholders holding at least two-thirds of the shares of Bank Stock entitled to vote on the Exchange Agreement must vote in favor of approving and adopting the Exchange Agreement and

the transactions contemplated thereby. As of the close of business on March 21, 2023, the record date of the Annual Meeting, the Bank had 3,883,971 shares of Bank Stock issued and outstanding, of which 68,586 shares were owned by the executive officers and directors of the Bank. The Bank's executive officers and directors are expected to vote in favor of the Exchange Agreement.

**Q: How will Proxies be Voted?**

A: Shares of Bank Stock represented at the Annual Meeting by a properly executed and unrevoked proxy in the form enclosed will be voted in accordance with the directions specified thereon by the Bank Shareholder. If no direction is made, such shares will be voted FOR the election of each director and FOR the Share Exchange, and authority will be deemed to be granted to the proxies for any other matters properly presented. Although the Bank's management knows of no other business to be brought before the Annual Meeting, if other matters are properly presented, and unless authority is specifically withheld, the persons named in the proxy will vote the shares covered by such proxy in their discretion as they deem advisable.

**Q: Can I change my vote after I have mailed in my signed proxy?**

A: Yes. After you have mailed your signed proxy, you can change your vote at any time before the Annual Meeting. A Bank Shareholder executing and returning a proxy has the power to revoke it at any time before it is exercised by (1) giving written notice of such revocation to the Secretary of the Bank, (2) delivering to the Secretary of the Bank a duly executed proxy bearing a later date or attending the Annual Meeting and voting in person. No such revocation shall be effective, however, until such notice of revocation has been received by the Bank at or prior to the Annual Meeting. You should send any written notice or new proxy to the attention of Tammy Marz, 117 Aplets Way, Cashmere, Washington 98815. You can request a new proxy by contacting Tammy Marz by phone at (509) 782-5492 or by email at [tmarz@cvb.bank](mailto:tmarz@cvb.bank).

**Q: Who is soliciting the proxies?**

A: The Bank's Board of Directors is soliciting the proxies of the Bank Shareholders. The cost of this solicitation of proxies is being borne by the Bank. Solicitations will be made only by the use of the mail, except that, if deemed desirable, officers and regular employees of the Bank may solicit proxies by telephone, facsimile, e-mail or personal calls, without being paid additional compensation for such services. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting material to the beneficial owners of the Bank Stock held of record by such persons, and the Bank will reimburse them for their reasonable expenses incurred in this connection.

**Q: What if I do not approve of the Share Exchange and do not want my shares of Bank Stock exchanged into Company Stock if the Share Exchange is approved?**

A: You may elect to dissent from the Share Exchange by complying with the applicable requirements of the Washington Commercial Bank Act (the "WCBA"). If all of the applicable requirements of the WCBA are met and the Share Exchange is consummated, you will receive cash equal to the value of your shares in lieu of the consideration proposed in the Share Exchange.

**Q: What should I do now?**

A: After reading this document carefully, you may vote by Internet at [www.proxyvote.com](http://www.proxyvote.com), having your proxy card in hand when you access the website, and follow the instructions to obtain your

records and to create and electronic voting instruction form; you may vote by phone at 1-800-690-6903 or you may vote by mail to the following address:

Vote processing  
c/o Broadridge,  
51 Mercedes Way  
Edgewood, NY 11717

**Q: How will my shares of Bank Stock be exchanged?**

A: After the Share Exchange becomes effective, you will receive written instructions regarding the exchange of your shares of Bank Stock.

**Q: Who should I call with questions?**

A: If you have any questions about the Share Exchange or the Annual Meeting, please contact Tammy Marz by phone at (509) 782-5492 or by email at [tmarz@cvb.bank](mailto:tmarz@cvb.bank).

## SUMMARY OF THE SHARE EXCHANGE

*This brief summary highlights selected information from the Proxy Statement. It may not contain all the information that is important to shareholders. Shareholders are urged to read carefully this entire document and the other documents referred to herein for a more complete understanding of the Exchange Agreement and the Share Exchange.*

### **The Parties to the Share Exchange**

Cashmere Valley Bank. The Bank is a Washington state commercial bank. The Bank's principal office is located at 117 Aplets Way, Cashmere, Washington 98815. The Bank will continue its banking operations as presently conducted subsequent to the Share Exchange, although as a wholly owned subsidiary of the Company.

CVB Holdings, Inc. The Company is a newly formed Washington corporation which will become a bank holding company for the Bank. Following consummation of the Share Exchange, the Company will own 100% of the Bank Stock and will become a registered bank holding company under the BHCA. After the effective time of the Share Exchange, the Company will be subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") as a bank holding company under the BHCA. The Bank will continue to be subject to regulation by the FDIC and the Washington State Department of Financial Institutions (the "WDFI"). See "Supervision and Regulation."

### **The Share Exchange**

Subject to the receipt of all regulatory approvals, the approval of the Exchange Agreement by Bank Shareholders holding at least two-thirds the shares of Bank Stock entitled to vote on the Exchange Agreement, and compliance with all of the terms and conditions of the Exchange Agreement, the Bank Shareholders will exchange their shares of Bank Stock for shares of Company Stock. As a result of the Share Exchange, the Bank Stock will be converted into and exchanged for either Company Stock or cash. Bank Shareholders whose shares of Bank Stock are converted into Company Stock will become shareholders of the Company, which will own all of the outstanding shares of Bank Stock. The Company's management group will be selected from the current management of the Bank. Management of the Bank will remain unchanged as a result of the Share Exchange. See "Management."

### **Basis for Conversion of Bank Stock Owned by Eligible Shareholders**

Upon consummation of the Share Exchange, except for shares held by Bank Shareholders who exercise and perfect their right to dissent from the Share Exchange (the "Dissenting Shareholders") and Ineligible Shareholders (as defined below), each share of Bank Stock held beneficially by a Bank Shareholder will be converted into and exchanged for one share of Company Stock. See "The Agreement and Plan of Share Exchange and Reorganization" for a more detailed explanation of the Share Exchange.

### **Basis of Conversion of Bank Stock Owned by Other Shareholders**

Each Bank Shareholder who resides in a state that requires registration of the securities issued in connection with the Share Exchange where the Board of Directors of the Company deems the cost of registration to be unjustified (each, an "Ineligible Shareholder") will have each of his or her shares of Bank Stock converted into and exchanged for the right to receive the fair market value of such shares in cash. The fair market value of such shares will be determined by the Board of Directors of the Company in its discretion. See "The Agreement and Plan of Share Exchange and Reorganization" for a more detailed explanation.



## **The Bank's Reasons for the Share Exchange**

The Board of Directors of the Bank has unanimously approved the Exchange Agreement in the belief that the formation of a bank holding company is in the best interests of the Bank and its shareholders. The Board believes that the Share Exchange will afford to the Bank and its shareholders the advantages of having a related bank holding company while preserving the identity of the Bank. As a Washington corporation and bank holding company, the Company will have greater business and investment flexibility than the Bank. For example, the Company, unlike the Bank, can raise funds for future acquisitions or for injection into the capital of the Bank through borrowings. In addition, the Company has more flexibility in redeeming its outstanding stock, thereby providing potential investment liquidity to shareholders.

## **Conditions to Consummation of the Share Exchange**

The Exchange Agreement provides that the consummation of the Share Exchange is subject to the following conditions, among others:

- the receipt of all necessary approvals of governmental agencies, including, if applicable, the Federal Reserve, the FDIC and the WDFI;
- the aggregate number of shares of Bank Stock owned by Dissenting Shareholders and Ineligible Shareholders does not exceed 0.50% of the issued and outstanding shares of Bank Stock;
- there being no legal or regulatory restrictions on the Bank's ability to pay dividends with respect to the Bank Stock immediately following consummation of the Share Exchange in an amount that will be sufficient to (a) fund the purchases of shares of Bank Stock from Dissenting Shareholders and Ineligible Shareholders and (b) pay organizational and other expenses incurred by the Company related to the Share Exchange; and
- the occurrence or non-occurrence of certain other conditions described in the Exchange Agreement.

Certain of the above conditions are waivable at the option of the Company and the Bank. The individual obligations of the Bank and the Company also are subject to compliance by the other with their respective covenants, confirmation of their respective representations and warranties and certain legal matters as set forth in the Exchange Agreement. The Exchange Agreement may be terminated any time prior to the Closing Date with the mutual consent of the Bank and the Company. In addition, the Exchange Agreement may be terminated by action of the Board of Directors of the Company or the Bank at any time prior to the Closing Date if, among other things, the Share Exchange shall not have become effective prior to December 31, 2023, or such later date as shall have been approved by the Board of Directors of each of the Company and the Bank.

For a more detailed description of the conditions to the Share Exchange, see the Exchange Agreement attached to this Proxy Statement as Appendix A, the terms of which are incorporated herein by reference.

## **Material Federal Income Tax Consequences**

The Company believes that no gain or loss will be recognized by the Bank Shareholders, the Bank or the Company as a result of the exchange of shares of Bank Stock for shares of Company Stock pursuant to the Share Exchange. The receipt of cash by Dissenting Shareholders and ineligible Shareholders, if any, will have certain income tax effects on such persons. See "Material U.S. Federal Income Tax Consequences-U.S. Federal Income Tax Consequences of the Share Exchange." Each Bank Shareholder is encouraged to seek independent counsel regarding the possible federal tax consequences of the Share Exchange with respect to his or her individual circumstances.

### **Comparison of Shareholder Rights**

While the Company's Articles of Incorporation (the "Company's Articles") are similar in certain respects to the Bank's Articles of Incorporation (the "Bank's Articles"), various differences will exist following the Share Exchange between the rights of shareholders of the Company and those of the Bank. See "Comparative Rights of Shareholders."

### **Exchange of Shares of Bank Stock**

As soon as practicable after the effective time of the Share Exchange, you will receive a letter and instructions from the Company with respect to the procedures for the exchange of your shares of Bank Stock in exchange for book entry shares of Company Stock. You must carefully review and complete these materials and return them as instructed.

### **Regulatory Approvals Required for the Share Exchange**

The parties cannot complete the Share Exchange unless they receive all required approvals including, if applicable, the approval of the Federal Reserve, the FDIC and the WDFI. Also, the Federal Reserve must not object to the formation of the Company as a bank holding company for the Bank. The Bank and the Company will make filings and notifications for these purposes with these regulatory agencies following the Annual Meeting.

### **Dissenters' Rights of Appraisal in the Share Exchange**

Each holder of shares of Bank Stock has dissenters' rights pursuant to which the holder can receive payment in cash of the value of his or her shares of Bank Stock by following the procedure provided by the applicable provisions of the WCBA. Under the WCBA, a Bank Shareholder may properly exercise his or her dissenter's rights and receive cash payment of the value of his or her shares of Bank Stock by voting his or her shares against the Share Exchange at the Annual Meeting or by giving written notice to the Bank at or prior to the Annual Meeting that he or she dissents from the Share Exchange and has not voted in favor of the Share Exchange. A Bank Shareholder must follow the exact procedure required by the WCBA in order to properly exercise his or her dissenter's rights and avoid waiving those rights. See "Rights of Dissenting Shareholders." For a more detailed description of the statutory dissenters' rights procedure, by which the foregoing summary is qualified in its entirety, see the text of the provisions of the WCBA pertaining to dissenters' rights attached to this Proxy Statement at Appendix B.

### **Pro Forma Capitalization**

The Company does not have material assets at present. Immediately following consummation of the Share Exchange, the Company's consolidated balance sheet and income statement will not be materially different from the Bank's balance sheet and income statement.

The following selected pro forma capitalization table is presented for the Company on a parent-only basis. The pro forma capitalization table has been presented assuming that (i) the Share Exchange was consummated as of December 31, 2022; (ii) all Bank Shareholders received Company Stock in connection with the Share Exchange; (iii) there were no Dissenting Shareholders; and (iv) 3,883,971 shares of Company Stock were issued in connection with the Share Exchange.

<b>(Dollars in Thousands)</b>	<b><u>Pro Forma</u></b>	<b><u>Pro Forma</u></b>	<b><u>Pro Forma</u></b>
	<b><u>Historical</u></b>	<b><u>Adjustments (1)</u></b>	<b><u>Balance</u></b>
Shareholders' Equity:			
Common Stock, \$.01 par value per share	-	-	-
Additional paid-in capital	4,540	-	4,540
Treasury stock	(16,784)	-	(16,784)
Retained earnings	259,839	-	259,839
Other comprehensive income	(89,239)	-	(89,239)
<b>Total Bank shareholders' equity</b>	<b>158,356</b>		<b>158,356</b>
Noncontrolling interests	34	-	34
<b>Total shareholders' equity</b>	<b>158,390</b>	<b>-</b>	<b>158,390</b>
<b>(1) Reflects the exchange of 3,883,971 shares of Bank Stock for 3,883,971 shares of Company Stock; does not reflect approximately \$25,000 in organizational expenses.</b>			

## SPECIAL CAUTIONARY NOTICE REGARDING FORWARD LOOKING INFORMATION

Statements and financial discussion and analysis contained in this Proxy Statement that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Forward-looking statements describe the Company's and the Bank's future plans, strategies and expectations, are based on assumptions and involve a number of risks and uncertainties, many of which are beyond the control of the Bank and the Company. The Company and the Bank believe they have chosen these assumptions or bases in good faith and that they are reasonable. However, the Company cautions that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. Therefore, the Company cautions against placing undue reliance on its forward-looking statements. The important factors that could cause actual results to differ materially from the forward-looking statements include, without limitation:

- the effect, impact, potential duration or other implications of the COVID-19 pandemic, including any actions undertaken by federal, state and local governmental authorities in response to the pandemic;
- changes in interest rates and market prices, which could reduce the Bank's net interest margins, asset valuations and expense expectations;
- changes in the levels of loan prepayments and the resulting effects on the value of the Bank's credit portfolio;
- changes in local economic and business conditions, including changes due to natural disasters and acts of terrorism, which adversely affect the Bank's customers and their ability to transact profitable business with the Bank, including the ability of borrowers to repay their loans according to their terms or a change in the value of the related collateral;
- increased competition for deposits, loans and investments adversely affecting rates and terms;
- the timing, impact and other uncertainties of the Bank's ability to enter new markets successfully and capitalize on growth opportunities;
- increased credit risk in the Bank's assets and increased operating risk caused by a material change in commercial, consumer or small business loans as a percentage of the total loan portfolio;
- the failure of assumptions underlying management's analysis of the value of syndicated loans, corporate debt and investment grade mortgage-backed securities in the Bank's investment portfolio;
- the failure of assumptions underlying the establishment of and provisions made to the allowance for credit losses;
- changes in the availability of funds resulting in increased costs or reduced liquidity;
- a deterioration or downgrade in the credit quality and credit agency ratings of securities in the Bank's securities portfolio;
- volatility and disruption in national and international financial markets;
- government intervention in the U.S. financial system;
- increased asset levels and changes in the composition of assets and the resulting impact on the Bank's and the Company's capital levels and regulatory capital ratios;
- our ability to acquire, operate and maintain cost effective and efficient systems without incurring unexpectedly difficult or expensive but necessary technological changes;
- the loss of senior management or operating personnel and the potential inability to hire qualified personnel at reasonable compensation levels;
- changes in statutes and government regulations or their interpretations applicable to banks and their subsidiaries, including changes in tax requirements and tax rates;
- failed business strategy, lack of operating capital, or substantial theft of resources including fraud, defalcations, embezzlements, misappropriation of assets; and
- other factors discussed in the "Risk Factors" section of this Proxy Statement.

The words “may,” “shall,” “will,” “believe,” “expect,” “anticipate,” “project,” “estimate,” “predict,” “intend,” “goal,” “objective” and similar expressions, are intended to identify forward-looking statements. The forward-looking statements speak only as of the date the statements are made. Neither the Company nor the Bank undertakes any obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **RISK FACTORS**

An investment in the Company Stock in connection with the Share Exchange involves risk. Shareholders should carefully and thoroughly consider the following risk factors and the other information included in this Proxy Statement in deciding whether to approve the Exchange Agreement. The items discussed in this section provide a brief summary of some of those risks, which are discussed in greater detail throughout this Proxy Statement. This Proxy Statement should be read in its entirety.

### ***The Company could be limited or restricted from paying dividends in the future.***

The Company has no operating history. The Company cannot predict if or when dividends will be paid on the Company Stock in the future. Dividends will be declared by the Board of Directors of the Company based upon conditions then existing, including the earnings, funding requirements and financial condition of the Bank and applicable laws and regulations. The Company's ability to pay dividends to its shareholders depends primarily upon the Bank's ability to pay dividends on the Bank Stock to the Company and there is no assurance that the earnings performance of the Bank will support the payment of dividends in the future. Dividends paid by the Bank and the Company are also subject to restrictions under federal and state laws and banking regulatory authorities may further preclude the Bank from declaring dividends to the Company and may preclude the Company from paying dividends to the shareholders.

### ***There is no active trading market for shares of Company Stock.***

Shares of Bank Stock are not, and shares of Company Stock will not be, listed on any exchange or quoted by the Nasdaq Stock Market, although shares of Bank Stock are quoted, and shares of Company Stock are expected to be quoted on the OTCQX under the ticker symbol "CSHX." The OTCQX is an electronic, screen-based market maintained and operated by the OTC Markets Group, which imposes considerably less stringent listing standards than does the Nasdaq. The volume of trading in Bank Stock is, and the volume of trading in Company Stock is expected to be limited and does not and will not constitute an active trading market, and it is not anticipated that a more active trading market will develop. There can be no assurance that you will be able to sell shares of Company Stock at any time in the future or at all, or that an active trading market will develop in the foreseeable future, if ever.

### ***The Company will operate in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations.***

Bank holding companies and banks operate in a highly regulated environment and are subject to extensive supervision and examination by several federal and state regulatory agencies. After the Share Exchange, the Company will be subject to the BHCA and to regulation and supervision by the Federal Reserve. As a Washington state commercial bank, the Bank is subject to regulation and supervision by the FDIC and the WDFI. Although the various laws and regulations that apply to the Bank and will apply to the Company are intended to ensure safe and sound banking practices, they are primarily intended to benefit depositors and the federal deposit insurance fund, and not the shareholders of the Company. The Bank is and the Company will be subject to changes in federal and state law, as well as changes in regulations and governmental policies, income tax laws and accounting principles. The effects of any potential changes cannot be predicted but could adversely affect the business and operations of the Company and the Bank in the future. See "Supervision and Regulation."

### ***The Company will face significant competition.***

The banking business is highly competitive, and the profitability of the Company will depend principally upon the Bank's ability to compete in its market area. The Bank competes with other commercial

banks, savings banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, asset-based non-bank lenders and certain other non-financial entities, including retail stores that may maintain their own credit programs and certain governmental organizations that may offer more favorable financing than the Bank.

Many of the Bank's competitors have greater financial strength, marketing capability and name recognition than the Bank. In addition, developments in technology and mass marketing have permitted larger companies to market loans and other products and services more aggressively to small business customers. Such advantages may enable competitors to realize greater economies of scale and operating efficiencies. Such institutions may also perform certain functions for their customers, including trust, securities brokerage and international banking services, which the Bank does not offer directly. Although the Bank may offer these services through correspondent banks or others, the inability to provide such services directly may be a competitive disadvantage. Further, some non-bank competitors are not subject to the same extensive regulations that govern the Bank.

The Bank considers its principal competition in the commercial banking business to be those banks and other financial institutions with offices in its current market areas. However, under the Gramm-Leach-Bliley Act of 1999 (the "GLBA"), securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. These financial holding companies are able to offer banking, insurance and securities brokerage products and services to their customers in competition with the Bank.

**The ongoing COVID-19 pandemic and measures intended to prevent its spread could adversely affect the Bank's and the Company's businesses, financial conditions and results of operation and such effects will depend on future developments, which are highly uncertain and difficult to predict.**

While economic conditions have continued to improve, global health concerns relating to the COVID-19 outbreak and related government actions taken to reduce the spread of the virus have been negative for the macroeconomic environment and the outbreak has significantly increased economic uncertainty and reduced economic activity. The COVID-19 outbreak has led to federal, state and local governments enacting various restrictions in an attempt to limit the spread of the virus, including the declaration of a federal national emergency; multiple cities' and states' declarations of states of emergency; school and business closings; limitations on social or public gatherings and other social distancing measures, such as working remotely; travel restrictions, quarantines and shelter in place orders. Such measures significantly contributed to changes in consumer and business spending, borrowing needs and saving habits. In addition, federal and state governments have taken measures to address the economic and social consequences of the pandemic, including the passage of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), and the Main Street Lending Program. The CARES Act, among other things, provided certain measures to support individuals and businesses in maintaining solvency through monetary relief, including in the form of financing, loan forgiveness and automatic forbearance.

The economic effects of the COVID-19 outbreak have had a destabilizing effect on financial markets, key market indices and overall economic activity. The uncertainty regarding the duration of the pandemic and the resulting economic disruption has caused increased market volatility and, should the pandemic continue may lead to a prolonged economic recession and a significant decrease in consumer confidence and business activity generally. The continuation of these conditions caused by the outbreak, including the impacts of federal and state measures, could adversely impact the Bank's and the Company's businesses and results of operations and the operations of the Bank's borrowers, customers and business partners. In particular, these events could, among other things, (i) increase credit loss expenses, (ii) adversely affect customer deposits and the stability of the Bank's deposit base, or otherwise impair the

Bank's liquidity, (iii) impair the ability of the Bank's borrowers to repay outstanding loans or other obligations, resulting in increases in delinquencies, (iv) reduce the demand for the Bank's loans or other products and services, (v) impact the creditworthiness of potential and current borrowers, (vi) negatively impact the productivity and availability of key personnel and other employees necessary to conduct the Bank's and the Company's businesses, and of third-party service providers who perform critical services for the Bank or the Company, or otherwise cause operational failures due to changes in the normal business practices necessitated by the outbreak and related governmental actions, (vii) impair the ability of loan guarantors to honor commitments, (viii) impair the value of the collateral securing loans (particularly with respect to real estate), (ix) impair the value of the Bank's securities portfolio, (x) require an increase in the Bank's allowance for credit losses, (xi) negatively impact the Bank's and the Company's regulatory capital ratios, (xii) increase cyber and payment fraud risk, given increased online and remote activity, (xiii) result in increased compliance risk as the Bank and the Company become subject to new regulatory and other requirements associated with new programs in which the Bank or the Company participates, and (xiv) broadly result in lost revenue and income.

Prolonged measures by public health or other governmental authorities encouraging or requiring significant restrictions on travel, assembly or other core business practices could harm the Bank's and the Company's businesses and those of the Bank's customers, in particular the Bank's small to medium-sized business customers. Although the Bank has business continuity plans and other safeguards in place, there is no assurance that they will be effective.

The ultimate impact of these factors remains uncertain at this time and the full extent of the impacts on the Bank's and the Company's businesses, the Bank's and the Company's operations or the global economy as a whole continues to evolve. However, a decline in economic conditions generally or a prolonged negative impact on small to medium-sized businesses, in particular, due to the COVID-19 pandemic will likely result in a material adverse effect on the Bank's and the Company's business, financial condition and results of operations and may heighten many of the Bank's and the Company's known risks described herein.

***The Bank and the Company are subject to risk from fluctuating conditions in the financial markets and economic and political conditions generally.***

The Bank's success depends, to a certain extent, upon local, national and global economic and political conditions, as well as governmental monetary policies. The Bank's financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services the Bank offers, is highly dependent upon the business environment in the markets where the Bank operates, in the State of Washington and in the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by a decline in economic growth both in the U.S. and internationally; declines in business activity or investor or business confidence; limitations on the availability of or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; trade policies and tariffs; or a combination of these or other factors. In addition, financial markets and global supply chains may be adversely affected by the current or anticipated impact of military conflict, including the current Russian invasion of Ukraine, terrorism or other geopolitical events. Current economic conditions are being heavily impacted by elevated levels of inflation and rising interest rates. A prolonged period of inflation may impact the Bank's profitability by negatively impacting the Bank's fixed costs and expenses. Economic and inflationary pressure on consumers and uncertainty regarding economic improvement could result in changes in consumer and business spending, borrowing and savings habits. Such conditions could have a material adverse effect on the credit quality of



the Bank's loans and its and the Company's business, financial condition and results of operations. Furthermore, evolving responses from federal and state governments and other regulators, and the Bank's customers or the Bank's third-party partners or vendors, to new challenges such as climate change have impacted and could continue to impact the economic and political conditions under which the Bank operates which could have a material adverse effect on the Bank's and the Company's business, financial condition and results of operations.

***Fluctuations in interest rates and changes in monetary policy will affect the Company's profitability.***

The operating income and net income of the Bank and, consequently, of the Company, will depend to a great extent on "rate differentials," the difference between the income the Bank receives from its loans, investments and other interest earning assets and the interest it pays on its deposits and other interest-bearing liabilities. These rates are highly sensitive to many factors which are beyond the control of the Company and the Bank, including general economic conditions and the policies of various governmental and regulatory authorities, in particular the Federal Reserve. Therefore, changes beyond the Bank's control can have a significant effect on its net interest income. The Bank's assets and liabilities may react differently to changes in overall market rates or conditions because there may be mismatches between the repricing or maturity characteristics of the assets and liabilities. As a result, an increase or decrease in market interest rates could have an adverse impact on the Bank's net interest margin and results of operations. See "Business of the Bank" and "Supervision and Regulation."

***A downturn in the real estate market may cause borrowers to default on loans and leave the Company unable to fully recover on its loans.***

A downturn in the real estate market could hurt the Bank's business, and thereby the Company's business, because a portion of the Bank's loans are secured by real estate. Real estate values and real estate markets are generally affected by fluctuations in interest rates, the availability of loans to potential purchasers, changes in tax laws and other governmental statutes, regulations and policies, acts of nature, and changes in national, regional and local economic conditions. If real estate prices decline, the value of real estate collateral securing the Bank's loans could be reduced. The Bank may be forced to increase its allowance for credit losses and may suffer additional loan losses if it is not able to recover on defaulted loans by foreclosing and selling the real estate collateral. Accordingly, any such downturn in real estate prices could have a material adverse effect on the Bank's (and thereby the Company's) business, financial condition and results of operations.

***The Bank may be adversely impacted by the transition from LIBOR as a reference rate.***

The most commonly used London Interbank Offered Rate ("LIBOR") settings will cease to be published or cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be published as of December 31, 2021. Given consumer protection, litigation, and reputation risks, the bank regulatory agencies indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks and that they would examine bank practices accordingly. The Adjustable Interest Rate (LIBOR) Act, enacted in March 2022, provides a statutory framework to replace U.S. dollar LIBOR with a benchmark rate based on the Secured Overnight Financing Rate ("SOFR") for contracts governed by U.S. law that have no or ineffective fallbacks, and in December 2022, the Federal Reserve adopted related implementing rules. Although governmental authorities have endeavored to facilitate an orderly discontinuation of LIBOR, no assurance can be provided that this aim will be achieved or that the use, level, and volatility of LIBOR or other interest rates or the value of LIBOR-based securities will not be adversely affected. As a result, and despite the enactment of the LIBOR Act, for the most commonly used LIBOR settings, the use or selection of a successor rate could expose the Bank and the Company to risks associated with disputes and litigation with the Bank's customers

and counterparties and other market participants in connection with implementing LIBOR fallback provisions.

***Management of the Company will have a significant ownership interest after completion of the Share Exchange.***

After the Share Exchange and assuming there are no Dissenting Shareholders, the executive officers and directors of the Company will beneficially own in excess of 1.77% of the issued and outstanding shares of Company Stock. Accordingly, these executive officers and directors will be able to influence, to a significant extent, the outcome of all matters required to be submitted to the Company's shareholders for approval, including decisions relating to the election of directors of the Company, the determination of day-to-day corporate and management policies of the Company and other significant corporate transactions. See "Management," "Beneficial Ownership of Bank Stock by Principal Shareholders and Management" and "Description of the Company Stock."

***There are differences in the rights of shareholders of the Company as compared to the rights of shareholders of the Bank.***

The Company is incorporated under, and will be governed by, the Washington Business Corporation Act (the "WBCA"), the BHCA and regulations of the Federal Reserve, while the Bank is organized under and governed by the WCBA, the WBCA and regulations of the FDIC. Certain differences between the rights of shareholders of the Bank and the rights of shareholders of the Company will arise due to this change in governing law. Such differences could materially adversely affect the rights of shareholders in certain circumstances. See "Comparative Rights of Shareholders."

***The shares of Company Stock are not insured deposits.***

The shares of Company Stock are not deposits and are not insured against loss by the FDIC or any other federal or state agency.

## **AGREEMENT AND PLAN OF SHARE EXCHANGE AND REORGANIZATION**

*The following information describes material aspects of the Exchange Agreement. It is not intended to be a complete description of all information relating to the Share Exchange and is qualified in its entirety by reference to more detailed information contained in the appendices to this document, including the Exchange Agreement. A copy of the Exchange Agreement is attached to this Proxy Statement as Appendix A. All Bank Shareholders are urged to read the Exchange Agreement and other Appendices in their entirety.*

### **General**

The Boards of Directors of the Bank and the Company have unanimously adopted the Exchange Agreement, which provides that all issued and outstanding shares of Bank Stock will be exchanged for shares of Company Stock. Upon consummation of the Share Exchange, all outstanding shares of Bank Stock will be exchanged for Company Stock, with approximately 3,883,971 shares of Company Stock anticipated to be outstanding after the Share Exchange. All of the shares of Bank Stock issued and outstanding after consummation of the Share Exchange will be owned by the Company. Bank Shareholders whose shares of Bank Stock are exchanged and converted into shares of Company Stock will become shareholders of the Company.

After consummation of the Share Exchange, the Bank's business will continue to be conducted by the present officers of the Bank and the directors who are elected at the Annual Meeting. The Company expects that, subject to receipt of all required approvals and the other conditions set forth herein, the Share Exchange will be consummated in the third quarter of 2023, although delays could occur.

### **Reasons for the Share Exchange**

The Board of Directors of the Bank has approved the Exchange Agreement in the belief that the formation of a bank holding company is in the best interests of the Bank and the Bank Shareholders. The Board believes that the Share Exchange will afford to the Bank and the Bank Shareholders the advantages of having a related bank holding company while preserving the identity of the Bank. Specifically, as a Washington corporation, the Company has greater business and investment flexibility than the Bank. The Company, unlike the Bank, can raise funds for future acquisitions or for injection into the capital of the Bank through borrowings. In addition, the Company has more flexibility in redeeming its outstanding stock, thereby providing potential investment liquidity to shareholders.

### **Consideration for Bank Stock**

Upon consummation of the Share Exchange, each share of Bank Stock, except Dissenting Shareholders and Ineligible Shareholders, and all rights in respect of each share of Bank Stock, shall upon the effective date of the Share Exchange and without any action on the part of the holder thereof, be converted into and exchanged for one share of Company Stock. Each share of Bank Stock held by Ineligible Shareholders will be converted into the right to receive the fair market value of such shares in cash rather than the consideration described above. The fair market value of such shares will be determined by the Board of Directors of the Company in its discretion. To the extent shareholders of the Bank exercise and perfect their dissenters' rights of appraisal with regard to the Share Exchange, such shares will be converted into cash in accordance with the WCBA.

The terms of the Share Exchange were established by management of the Company and management of the Bank. Management did not obtain a report, appraisal or opinion from an outside party or unaffiliated representative relating to the fairness of the terms of the Share Exchange.

## **Effects of the Share Exchange on Restricted Stock Awards and Stock Options**

Upon consummation of the Share Exchange, existing stock options and restricted stock grants issued by the Bank will automatically be converted to stock options and restricted stock grants of Company Stock on a one-for-one basis. The Bank's equity incentive plan will be transferred to and assumed by the Company.

## **Effective Time of the Share Exchange**

The Share Exchange will become effective at the date and time (the "Effective Time") specified in the applicable filings to be filed with the Secretary of State of Washington. If the Bank Shareholders approve the Share Exchange, and if all required regulatory approvals are obtained and their respective other conditions to the parties' obligations to effect the Share Exchange are met or waived by the party entitled to do so, the Bank and the Company anticipate that the Share Exchange will be completed in the third quarter of 2023, although delays could occur.

## **Expenses of the Share Exchange**

The expenses incurred by the Company and the Bank in connection with the Share Exchange will be paid by the Bank and the Company, depending on the nature of the expense incurred.

## **Exchange of Bank Stock**

If the Share Exchange is approved by the Bank Shareholders and all necessary regulatory agencies, instructions will be sent to each Bank Shareholder for use in exchanging his or her shares of Bank Stock. Broadridge Financial Solutions, Inc. will serve as the exchange agent in connection with the Share Exchange. Upon the receipt of the materials required of a Bank Shareholder, the Bank Shareholder will receive the number of book entry shares of Company Stock to which the Bank Shareholder is entitled or, in lieu thereof, cash into which the shares of Bank Stock so surrendered were converted. On the effective date of the Share Exchange, shares of Bank Stock will be converted as a matter of law into the consideration to which the respective holders are entitled and shall represent only the right to receive such consideration. Until the materials required of a Bank Shareholder are surrendered to the Company, however, the Company will set aside but will not pay dividends accrued, if any, with respect to any shares of the Company Stock that a Bank Shareholder is entitled to receive upon the conversion of his or her shares of Bank Stock. Upon the provision of such materials, the Company will pay any amount of dividends set aside with respect to any such Company Stock, without interest.

## **Regulatory Approvals**

The formation of the Company as a bank holding company for the Bank must be approved by the Federal Reserve pursuant to the provisions of the BHCA, and the Share Exchange may also be subject to regulatory approvals. Promptly after the Annual Meeting, if the Bank Shareholders approve the Exchange Agreement and the Share Exchange, the Bank will file an application with the necessary governmental authorities to obtain approval of the Share Exchange, and the Company will file notice to acquire 100% of the Bank Stock with the Federal Reserve as required by the BHCA.

The approval of any notice or application merely implies satisfaction of regulatory criteria for approval and does not include review of the Share Exchange from the standpoint of the adequacy of the consideration to be received by, or fairness to, the Bank Shareholders. Regulatory approval does not constitute an endorsement or recommendation of the Share Exchange.

### **Conditions to Consummation of the Share Exchange**

As provided by the terms of the Exchange Agreement, consummation of the Share Exchange is contingent upon the satisfaction of certain conditions, including the following:

- receipt of the required regulatory approvals noted above;
- the approval of the Exchange Agreement by Bank Shareholders who hold at least two-thirds of the shares of Bank Stock entitled to vote on the Exchange Agreement;
- the aggregate number of shares of Bank Stock owned by those shareholders who are Dissenting Shareholders and Ineligible Shareholders not exceeding 0.5% of the issued and outstanding shares of Bank Stock;
- there being no legal or regulatory restrictions on the Bank's ability to pay dividends with respect to the Bank Stock immediately following the Effective Time of the Share Exchange in an amount that will be sufficient to allow the Company to (A) pay cash for shares of Bank Stock owned by Dissenting Shareholders; (B) pay cash for shares of Bank Stock owned by Ineligible Shareholders; and (C) pay organizational and other expenses incurred by the Company in connection with the transactions contemplated by the Exchange Agreement.
- the occurrence or nonoccurrence of certain other conditions described in the Exchange Agreement.

## RIGHTS OF DISSENTING SHAREHOLDERS

### Dissenters' Rights

Sections 30A.04.560 and 30A.04.565 of the WCBA, the full text of which is attached to this Proxy Statement as Appendix B, set forth the procedure to be followed by any Bank Shareholder who wishes to dissent from the Share Exchange and obtain the value of his or her shares of Bank Stock in cash instead of receiving Company Stock in the Share Exchange. The following summary is qualified in its entirety by reference to the full text of the statutes set forth in Appendix B. In order to exercise his or her dissenter's rights, a Bank Shareholder must follow all of the steps as outlined in this Proxy Statement and in Section 30A.04.560 of the WCBA. A vote against the Share Exchange will not, by itself, satisfy the notice requirements with respect to the assertion of dissenters' rights. Among other things, to assert dissenters' rights, a Bank Shareholder must either (i) vote against the Share Exchange at the Annual Meeting, or (ii) deliver to the Bank, before the vote on the Share Exchange is taken, written notice of the Bank Shareholder's intent to demand payment for his or her shares if the Share Exchange is effected. If a shareholder has delivered the required written notice to the Bank, he or she is not required to vote his or her shares against the proposed Share Exchange but must simply refrain from voting his or her shares in favor of the proposed Share Exchange. Voting AGAINST or ABSTAIN, or not voting at all, are all sufficient to preserve the shareholder's dissenter's rights. In addition, within 30 days after the date of shareholder approval of the Share Exchange, the dissenting shareholder must make written demand on the Bank and surrender his or her Bank Stock certificates (if physical certificates are held). Such notice should be addressed to:

Cashmere Valley Bank  
117 Aplets Way  
Cashmere, WA 98815  
Attention: Tammy Marz

Following the Share Exchange, the Bank will pay each dissenting shareholder who has complied with the demand requirements the amount equal the value of the dissenting shareholder's shares. The value of the shares of any dissenting shareholder shall be determined, as of the day prior to the date of the Annual Meeting, by an appraisal made by a committee of three persons. The committee shall be comprised of one representative appointed by the holders of two-thirds of the shares held by dissenting shareholders, one representative appointed by the directors of the Company, and one representative selected by the two other representatives so selected. The valuation agreed upon by any two appraisers shall govern. The dissenting shareholders shall bear, on a pro rata basis based on the number of dissenting shares owned, the cost of their appraisal and one-half of the cost of the third appraisal, and the Company shall bear the cost of its appraisal and one-half of the cost of the third appraisal. If the appraisal is not completed within 90 days after the effective date of the Share Exchange, the WDFI shall cause an appraisal to be made which shall be final and binding upon all parties. The cost of such appraisal shall be borne equally by the dissenting shareholders and the Company. The dissenting shareholders shall share their half of the cost on a pro rata basis based on the number of dissenting shares owned. **There can be no assurance that "value" of any Bank Shareholder's Bank Stock as determined pursuant to the WCBA will be greater than or equal to the Share Exchange consideration.**

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

*To ensure compliance with Treasury Department Circular 230, each Bank Shareholder is hereby notified that: (a) any discussion of U.S. federal income tax issues in this Proxy Statement is not intended or written to be relied upon, and cannot be relied upon, by any shareholder for the purpose of avoiding penalties that may be imposed on a shareholder under the Internal Revenue Code of 1986, as amended; (b) such discussion is included in connection with the promotion or marketing (within the meaning of Circular 230) of the transactions or matters addressed herein; and (c) each Bank Shareholder should seek advice based on its particular circumstances from an independent tax advisor.*

### **U.S. Federal Income Tax Consequences of the Share Exchange**

The following discussion is a general summary of the anticipated material U.S. federal income tax consequences of the exchange of Bank Stock for Company Stock pursuant to the Share Exchange. This discussion is based upon the Code, regulations promulgated by the U.S. Treasury Department, court cases and administrative rulings in each case as in effect as of the date hereof and all of which are subject to change at any time, possibly with retroactive effect. This discussion assumes that a Bank Shareholder holds his or her Bank Stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code. The federal income tax laws are complex and the tax consequences of the Share Exchange may vary depending upon each shareholder's individual circumstances or tax status. Accordingly, this description is not a complete description of all of the consequences of the Share Exchange and, in particular, may not address United States federal income tax considerations that may affect the treatment of shareholders subject to special treatment under United States federal income tax law (including, for example, foreign persons, financial institutions, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt entities, holders who acquired their shares of Bank Stock pursuant to the exercise of an employee stock option or right or otherwise as compensation and holders who hold Bank Stock as part of a "hedge," "straddle" or "conversion transaction").

This discussion is based on laws, regulations, rulings and judicial decisions as in effect on the date of this Proxy Statement, without consideration of the particular facts or circumstances of any shareholder of Bank Stock. These authorities are all subject to change and any such change may be made with retroactive effect. No assurance can be given that, after any such change, this discussion would not be different. In addition, the managements of the Bank and the Company have not obtained, nor do they intend to obtain, a ruling from the Internal Revenue Service (the "IRS") or an opinion of counsel with respect to the U.S. federal income tax consequences of the Share Exchange. Thus, the Bank cannot assure shareholders that the IRS or the courts will not successfully challenge one or more of the United States federal income tax consequences or matters discussed herein. However, based on the authorities noted above, the managements of the Bank and the Company believe that the probable tax consequences of the Share Exchange can be summarized as follows:

1. If pursuant to the Share Exchange there are no Dissenting Shareholders or Ineligible Shareholders, then:
  - A. The Share Exchange will constitute a tax-free reorganization pursuant to Section 368(a)(1)(F) of the Code.
  - B. No gain or loss will be recognized by Bank Shareholders to the extent their shares of Bank Stock are converted into shares of Company Stock pursuant to the terms of the Share Exchange (except for cash received, if any).

C. The aggregate tax basis of the Company Stock received by Bank Shareholders in exchange for their Bank Stock will be the same as the aggregate tax basis of the shares of the Bank Stock surrendered in exchange therefor, decreased by the amount of the cash received in the Share Exchange, and increased by the amount of gain, if any, recognized as a result of the Share Exchange.

D. The holding period of the Company Stock to be received by Bank Shareholders in exchange for their Bank Stock will include the holding period of the Bank Stock surrendered in exchange therefor.

2. If pursuant to the Share Exchange there are Dissenting Shareholders or Ineligible Shareholders, then:

A. The Share Exchange will constitute a “transfer to a corporation controlled by the transferor” within the meaning of Section 351 of the Code.

B. No gain or loss will be recognized by Bank Shareholders to the extent their shares of Bank Stock are converted into shares of Company Stock pursuant to the terms of the Share Exchange (except for cash received, if any).

C. The aggregate tax basis of the Company Stock received by Bank Shareholders in exchange for their Bank Stock will be the same as the aggregate tax basis of the shares of the Bank Stock surrendered in exchange therefor, decreased by the amount of the cash received in the Share Exchange, and increased by the amount of gain, if any, recognized as a result of the Share Exchange.

D. The holding period of the Company Stock to be received by Bank Shareholders in exchange for their Bank Stock will include the holding period of the Bank Stock surrendered in exchange therefor.

A Bank Shareholder who (i) receives cash for his or her Bank Stock because he exercised his or her dissenters’ rights or (ii) is an Ineligible Shareholder will be treated for U.S. federal income tax purposes as if the Company Stock had been received and then redeemed for cash by the Company. A Bank Shareholder will recognize a capital gain or loss in an amount equal to the difference between the cash received and the tax basis in the Bank Stock, unless such payment, under each such Bank Shareholder’s particular facts and circumstances, is deemed to have the effect of a dividend distribution and not a redemption treated as an exchange under the principles of Section 302 of the Code.

Capital gain or loss recognized by a Bank Shareholder in the Share Exchange will be long-term capital gain or loss if the holding period of the Bank Stock exceeds one year at the time of the Share Exchange. In the case of individuals, the maximum federal income tax rate applicable to long-term capital gains generally is 20%.

Unless an exemption applies under the backup withholding rules of Section 3406 of the Code, the Bank, as exchange agent, shall be required to withhold, and will withhold, 28% of any cash payments to which a Bank Shareholder is entitled pursuant to the Share Exchange, unless the Bank Shareholder provides the appropriate form. A Bank Shareholder should complete and sign the substitute IRS Form W-9 enclosed with the letter of transmittal sent by the Bank, as exchange agent. Unless an applicable exemption exists and is proved in a manner satisfactory to the Bank, as exchange agent, this completed form provides the information, including the Bank Shareholder’s taxpayer identification number, and certification necessary to avoid backup withholding.



Each Bank Shareholder who owned at least (i) 1% (by vote or value) of the total outstanding Bank Stock or (ii) Bank Stock with a tax basis of \$1 million or more, is required to attach a statement to his or her tax returns for the year in which the Share Exchange is completed that contains the information listed in Treasury Regulations § 1.368-3(b). Such statement must include the Bank Shareholder's tax basis in the Bank Shareholder's Bank Stock and the fair market value of such stock.

**THE FOREGOING DISCUSSION IS NOT BINDING ON THE IRS. AS SUCH, THE FOREGOING IS ONLY A SUMMARY OF CERTAIN OF THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO BANK SHAREHOLDERS OF THE TRANSACTIONS CONTEMPLATED BY THE SHARE EXCHANGE. ACCORDINGLY, BANK SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO ALL TAX CONSEQUENCES TO THEM FROM THE SHARE EXCHANGE, INCLUDING THE APPLICATION OF STATE, LOCAL AND FOREIGN TAX LAWS AND POSSIBLE FUTURE CHANGES IN U.S. FEDERAL INCOME TAX LAWS AND THE INTERPRETATION THEREOF, WHICH CAN HAVE RETROACTIVE EFFECTS.**

### **DIRECTOR NOMINEES**

The Board has unanimously nominated each of the seven persons listed below, each to serve as a director for a one-year term or until his or her successor has been duly elected and qualified or until his or her earlier resignation or removal. Set forth below is the name of each nominee for director along with his or her principal occupation.

**Lyman Boyd, Chairman**, Owner, Linderof Inn and Bavarian Lodge

**Kris Loomis**, Managing Principal, CPA Cordell, Neher & Company P.L.L.C.

**John Doyle**, Chief Administrator, Wenatchee Valley Medical Group

**Keith Wiggins**, Owner, Boswell's Furniture

**Greg Oakes**, President, Chief Executive Officer, Cashmere Valley Bank

**Mike Neff**, President, Neff Co. Nut and Dried Fruit Company

**Krista Beck**, President/CEO Jerry's Auto Supply

### **DESCRIPTION OF THE COMPANY STOCK**

The Company has authorized two classes of stock, the Company Stock, which are (i) common stock with a par value of \$0.01 per share, 50,000,000 shares of which are authorized and approximately 3,883,971 shares of which are expected to be issued pursuant to the Share Exchange and (ii) preferred stock with a par value of \$0.01 per share, 1,000,000 shares of which are authorized ("Preferred Stock"). A more detailed description of the Company Stock and the Preferred Stock, by which the following summary is qualified in its entirety, may be found in the Company Certificate, a copy of which is attached as Appendix C.

#### **Company Stock**

*General.* Each share of Company Stock has the same relative rights as, and is identical in all respects to, each other share of Company Stock.

*Voting Rights.* The holders of the Company Stock are entitled to one vote for each share of Company Stock owned.

*Cumulative Voting.* Holders of Company Stock may not cumulate their votes for the election of directors.

*No Preemptive Rights.* Holders of Company Stock do not have preemptive rights to acquire any additional, unissued or treasury shares of the Company, or securities of the Company convertible into or carrying a right to subscribe to or acquire shares of the Company.

*Dividends.* Holders of Company Stock will be entitled to receive dividends out of funds legally available therefor, if and when properly declared by the Board of Directors. However, the Board of Directors may not declare or pay cash dividends on Company Stock if any dividend on any other senior security which may be issued in the future has not been paid or adequate provision has not been made for the payment thereof. In addition, the Company's ability to pay dividends on Company Stock will be subject to regulatory restrictions, including capital maintenance obligations. See "Risk Factors" and "Supervision and Regulation."

*Liquidation Rights.* On the liquidation of the Company, the holders of Company Stock are entitled to share pro rata in any distribution of the assets of the Company, after the holders of any other senior securities have received the liquidation preference of their shares plus any declared but unpaid dividends, if any, and after all other indebtedness of the Company has been retired.

*Conversion.* The Company Stock is not convertible into or exchangeable for any other security of the Company.

### **Preferred Stock**

Shares of Preferred Stock may be issued from time to time in one or more series. The Company's Board of Directors has the authority to fix the designations and the powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions of Preferred Stock, including, without limitation, the voting rights, the dividend rate, conversion rights, redemption price and liquidation preference, of any series of shares of Preferred Stock, to fix the number of shares constituting any such series and to increase or decrease the number of shares of any such series (but not below the number of shares thereof then outstanding).

## **COMPARATIVE RIGHTS OF SHAREHOLDERS**

### **General**

Although the Company is a corporation incorporated under the WBCA, and the Bank is a Washington state commercial bank incorporated under the WBCA, the WCBA and regulations of the FDIC, the Company's Articles and the Bank's Articles contain certain differences that result in the Bank Shareholders having rights that will differ from rights they will have as shareholders of the Company. The Bank Shareholders' rights in the Bank Stock are governed by the WBCA and the WCBA, together with the Bank's Articles and Bylaws. The rights of holders of Company Stock will be governed by the WBCA and the Company's Articles and Bylaws.

The holders of Bank Stock and the holders of Company Stock will have similar rights in several regards. The principal similarities are as follows: (i) each holder of Company Stock will be entitled to one vote for each share held of record on matters submitted for a shareholder vote; (ii) each holder of Company

Stock will be entitled to such dividends as the Board of Directors may declare from legally available funds; and (iii) each holder of Company Stock is, upon liquidation, entitled to receive his or her pro rata portion of assets distributed to shareholders after provision is made for the payment of debts.

Although the material differences in shareholder rights following the Share Exchange are summarized below, the summary is not intended to be a complete statement of all differences affecting the rights of shareholders. This discussion is qualified in its entirety by reference to the Company's Articles and the Bank's Articles, which are included in Appendix C hereto. For a description of the Company Stock, see "Description of the Company Stock."

### **Dissenters' Rights**

Under the WCBA, a shareholder of a Washington state commercial bank that reorganizes to become a holding company subsidiary has a right to demand from such state commercial bank payment of the value of his or her stock in the bank, subject to specific procedural requirements. See "Rights of Dissenting Shareholders" herein.

After the Share Exchange, the rights of appraisal of dissenting shareholders will be governed solely by the WBCA. The WBCA provides that dissenting shareholders have appraisal rights in several instances.

### **Federal Securities Laws**

Shares of Bank Stock are exempt securities under the Securities Act of 1933, as amended (the "1933 Act"), and thus are not required to be registered thereunder when offered or sold. However, the Bank must comply with the regulations of the FDIC in connection with the offer or sale of securities of the Bank and shareholders must comply with any applicable resale restrictions. Shares of Company Stock will not be exempt securities under the 1933 Act, and offers, sales and resales must comply with the 1933 Act and applicable regulations. In reliance on Section 3(a)(12) of the 1933 Act, which provides an exemption from the registration requirements under the 1933 Act for securities issued in connection with certain bank and thrift holding company formations, shares of Company Stock to be issued pursuant to the Share Exchange have not been registered under the 1933 Act.

### **State Securities Laws**

Shares of Bank Stock are exempt securities under the Securities Act of Washington (the "Washington Act") and the securities laws of certain other states and thus are not required to be registered thereunder when offered or sold. Shares of Company Stock are not exempt securities under the Washington Act and may not be exempt from the securities laws of various other states. Shares of Company Stock are "federal covered securities" under Section 18(b) of the 1933 Act. In connection with the Share Exchange, the Company will comply with the filing and fee requirements set forth by the Washington State Department of Financial Institutions' Division of Securities for offerings of federal covered securities in Washington. However, the Company has not, nor is it required to, register shares of the Company Stock under the Washington Act. In reliance on transactional exemptions provided under the securities laws of other states, shares of Company Stock to be issued pursuant to the Share Exchange have not been registered under the other state securities laws. Shares of Company Stock may be subject to certain restrictions on resale under the securities laws of other states.

## **NATURE OF THE TRADING MARKET AND MARKET PRICES**

Shares of Bank Stock are not listed on any exchange or quoted by the Nasdaq Stock Market, although they are quoted on the OTCQX under the ticker symbol "CSHX." The OTCQX is an electronic,

screen-based market maintained and operated by the OTC Markets Group, which imposes considerably less stringent listing standards than does the Nasdaq. The volume of trading in Bank Stock is limited and does not constitute an active trading market, and it is not anticipated that a more active trading market will develop. Following consummation of the Share Exchange shares of Bank Stock will no longer be quoted on the OTCQX; however, it is expected that, following consummation of the share exchange, shares of Company Stock will be quoted on the OTCQX. If the Share Exchange is consummated, there can be no assurance that Company shareholders will be able to sell shares of Company Stock at any time in the future or at all, or that an active trading market will develop in the foreseeable future, if ever.

## **DIVIDENDS**

Holders of Company Stock are entitled to receive dividends paid out of legally available funds as and when declared by the Company's Board of Directors based upon the earnings and financial condition of the Company, liquidity and capital requirements, the general economic and regulatory climate, the Company's ability to service any equity or debt obligations senior to the Company Stock and other factors deemed relevant by the Company's Board of Directors. See "Supervision and Regulation" and "Description of the Company Stock."

For a foreseeable period of time following consummation of the Share Exchange, the principal source of cash flows to the Company will be dividends paid by the Bank with respect to the Bank Stock. There are certain statutory limitations on the payment of such dividends. Among other limitations, the Bank is subject to risk-based and other capital rules that restrict its ability to pay dividends. See "Supervision and Regulation-Regulation of the Bank."

Under the Federal Deposit Insurance Act ("FDIA"), an insured bank is prohibited from paying dividends on its capital stock while in default in the payment of any assessment due to the FDIC except in those cases where the amount of the assessment is in dispute and the insured bank has deposited satisfactory security. The Bank is not in default in the payment of any such assessment.

The Bank paid a cash dividend of \$0.85 per share was paid on February 13, 2023 for shareholders of record on February 3, 2023. There is no assurance that the future earnings performance of the Bank will support the future payment of dividends by the Bank to the Company, and by the Company to its shareholders.

## **BUSINESS OF THE COMPANY AND THE BANK**

### **Business of the Company**

The Company is a corporation incorporated under the laws of the State of Washington for the purpose of serving as a registered bank holding company under the BHCA. At present, the Company has neither business operations nor any material assets or liabilities. On the effective date of the Share Exchange, the Company will own 100% of the Bank Stock, and the Bank will be a subsidiary of the Company. Each Bank Shareholder will become a shareholder of the Company, as described herein. The Company will file a notice with the Federal Reserve to acquire 100% of the Bank Stock promptly following the Annual Meeting if the Bank Shareholders approve the Exchange Agreement and the Share Exchange.

The Company has no present plans to engage in any activity other than the ownership and operation of the Bank. If favorable business opportunities arise in the future, the Company may pursue one or more areas of activities permitted for a bank holding company, such as the acquisition of other banks or the expansion of services to customers of the Bank in an effort to increase the value of the shareholders' investment. In addition, by operating as a subsidiary of a bank holding company, the Bank will have more

flexibility in meeting any future financing needs. See “Supervision and Regulation.” Since for the near term the principal business of the Company will be the current ongoing business of the Bank, the competitive conditions to be encountered by the Company will be the same or similar to those faced by the Bank.

Because the Company has no operating history, historical information with respect to legal proceedings, financial data or accountants, management’s discussion of operations, dividends and other matters is not available. The Company does not have any record of paying dividends. See “Dividends.”

The Company may utilize the administrative staff of the Bank from time to time without compensation therefore. If the Company acquires other financial institutions or pursues other lines of business, it may at such time hire additional employees or management officials.

### **Business of the Bank**

The Bank is a Washington state commercial bank. The Bank’s principal office is located at 117 Aplets Way, Cashmere, Washington. The Bank will continue its banking operations as presently conducted subsequent to the Share Exchange, although as a wholly owned subsidiary of the Company.

The Bank provides a full line of traditional banking services to individuals and small and medium-sized businesses, including checking accounts, savings accounts, savings certificates, money market accounts, bank-by-mail, online banking, cashier’s checks, money orders, savings bonds, personal loans, real estate loans, commercial loans, treasury management services, home improvement loans and insurance services through its subsidiary Mitchell, Reed & Schmitten.

Subject to lending policies and limitations to be established from time to time by the Board of Directors and to prevailing economic conditions, the Bank provides the community with residential loans for one-to-four unit dwellings, housing rehabilitation loans, home improvement loans, small business loans, commercial and commercial real estate loans and consumer loans.

As of December 31, 2022, the Bank had total assets of \$2.09 billion, net loans of \$992.0 million and total deposits of \$1.90 billion.

### **Competition**

The banking business is highly competitive, and the profitability of the Bank depends principally upon the Bank’s ability to compete in its markets. The Bank competes with other commercial banks, savings banks, savings associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, asset-based nonbank lenders and certain other nonfinancial entities, including retail stores which may maintain their own credit programs and certain governmental organizations that may offer more favorable financing than the Bank can.

Many of the Bank’s competitors have greater financial strength, marketing capability, name recognition, brand awareness and loan limits than the Bank does. In addition, recent developments in technology and mass marketing have permitted larger companies to market loans and other products and services more aggressively to their customers. Such advantages may enable competitors of the Bank to realize greater economies of scale and efficiencies than the Bank can. Such institutions may also perform certain functions for their customers, including trust, securities brokerage and international banking services, which the Bank does not offer and may be prohibited from offering directly. Although the Bank may offer these services through correspondent banks or others, the inability to provide such services directly may be a competitive disadvantage. Further, some of the Bank’s competitors are not subject to the same extensive regulations that govern the Bank.

The Bank considers its principal competition in the retail and commercial banking business to be banks and other financial institutions with offices in its current market areas. However, under the GLBA, securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. These financial holding companies are able to offer banking, insurance and securities brokerage products and services to their customers.

The Bank seeks to provide high quality banking services, emphasizing quick and flexible responses to customer demands. The Bank leverages technology to deliver high-quality digital financial services with the support of marketing campaigns and its officers, directors and shareholders for the solicitation and referral of potential customers and expects this to continue for the foreseeable future. Therefore, the Bank must identify, attract and retain qualified management and staff. Although the Bank believes that, despite the current competition for skilled banking personnel, a sufficient number of individuals with adequate experience are available, no assurance may be given that it will be able to attract and retain such persons on terms satisfactory to the Bank.

### **Employees and Employee Benefit Plans**

The Company has three full-time employees, two of whom are executive officers. The Bank and its subsidiary Mitchell, Reed & Schmitt, combined have 292 full-time employees, five of whom are executive officers. The Bank considers its relations with its employees to be excellent. The Bank is not a party to any collective bargaining agreement with its employees. The Bank has established a 401(k) plan for its employees and also provides medical, dental, vision and long-term disability and life insurance to its employees. The Bank covers 100% of the employee premium. In the future the Bank may consider additional employee benefit plans or modify the level of employee contribution toward the plans it offers.

### **Litigation**

From time to time, the Bank will be party to or otherwise involved in legal proceedings arising in the normal course of business. Management does not believe that there are any pending or threatened proceedings to which the Bank is a party and which, upon resolution, would have a material adverse effect on the Bank's and the Company's financial condition, results of operations or cash flows.

## **MANAGEMENT**

### **Directors and Officers**

The following table sets forth certain information with respect to the directors and executive officers of the Bank and the Company:

<b><u>Name</u></b>	<b><u>Position with the Company</u></b>	<b><u>Position with the Bank</u></b>	<b><u>Year Service Commenced<sup>(1)</sup></u></b>
Greg Oakes	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director	1983
Lyman Boyd	Chairman, Director	Chairman, Director	2000
Kris Loomis	Director	Director	2019
John Doyle	Director	Director	2012
Keith Wiggins	Director	Director	2003
Mike Neff	Director	Director	2019
Krista Beck	Director	Director	2021
Mike Lundstrom	EVP/Chief Financial Officer	EVP/Chief Financial Officer	2018

Steven Vradenburg	EVP/Chief Lending Officer	EVP/Chief Lending Officer	2003
Sue Ozburn	EVP/Chief Information Officer	EVP/Chief Information Officer	2005
Jenny Pulver	EVP/Chief Retail Banking Officer	EVP/Chief Retail Banking Officer	1985

(1) All service with the Company commenced in 2023. Dates in this column refer to service with the Bank.

Each member of the Bank’s Board of Directors is elected annually, and the terms of the current board members will expire at the Annual Meeting. Each officer is elected by the Board of Directors and holds office at the pleasure of the Board of Directors.

### **Operation of the Bank’s Board of Directors**

The Bank’s Board of Directors has established several committees in order to expedite the conduct of its business, including the audit committee, compensation committee, compliance committee, risk committee and loan committee. The Bank’s Board of Directors meets at least monthly and is responsible for establishing policies of the Bank and for oversight of the Bank’s management.

### **Effects of the Share Exchange on Restricted Stock Awards and Stock Options**

Upon consummation of the Share Exchange, existing stock options and restricted stock grants issued by the Bank will automatically be converted to stock options and restricted stock grants of Company Stock on a one-for-one basis. The Bank’s equity incentive plan will be transferred to and assumed by the Company.

### **Limitation of Directors’ Liability and Indemnification**

In accordance with the provisions of the WCBA and the WBCA, the Bank’s Articles contain provisions eliminating the personal liability of the directors to the Bank or its shareholders for monetary damages for an act or omission in the director’s capacity as a director, subject to certain limited exceptions. By virtue of these provisions, under current law, a director of the Bank will not be personally liable for monetary damages for breach of his or her fiduciary duty except for liability for (i) knowing violations of law, (ii) conduct violating certain specified provisions of the WBCA or (iii) improper receipt of personal benefits.

The Bank’s Articles provide, consistent with the provisions of Washington law and federal banking laws and regulations, that the Bank will indemnify any person who is, or is threatened to be made, party to any action, suit or proceeding by reason of the fact that the person is or was a director or officer-director. In addition, the Bank will pay expenses incurred by a person who the Bank may indemnify in connection with any action, suit or proceeding upon the Bank’s receipt of a written promise by the person to repay such amounts if it is finally adjudged that the person is not eligible for indemnification.

Management believes that these provisions are necessary to attract and retain qualified individuals to serve as Bank directors and officers.

### **Interests of Management and Others in Certain Transactions**

Many of the directors, executive officers and principal shareholders of the Bank (*i.e.*, those who own 10% or more of the Bank Stock) and their associates, which include corporations, partnerships and

other organizations in which they are officers or partners or in which they and their immediate families have at least a 5% interest, are customers of the Bank. The Bank makes loans in the ordinary course of business to many of the directors, executive officers and principal shareholders of the Bank and their associates, all of which are on substantially the same terms, including interest rates and collateral, as those prevailing at the time of origination for comparable transactions with persons unaffiliated with the Bank and do not involve more than the normal risk of collectability or present other unfavorable features. Loans to directors, executive officers and principal shareholders of the Bank are subject to limitations contained in the Federal Reserve Act and related regulations, the principal effect of which is to require that extensions of credit by the Bank to executive officers, directors and principal shareholders satisfy the foregoing standards. As of December 31, 2022, the outstanding balance of all such loans aggregated \$13,287,000, which was approximately 8.39% of the Bank's equity capital as of such date. The Bank expects to have such transactions or transactions on a similar basis with its directors, executive officers and principal shareholders and their associates in the future.

### **BENEFICIAL OWNERSHIP OF BANK STOCK BY PRINCIPAL SHAREHOLDERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of Bank Stock as of the record date by (1) the directors of the Company and the Bank, (2) the executive officers of the Company and the Bank, (3) any person (including any group) who is known to the Company or the Bank to be the beneficial owner of more than 5% of the issued and outstanding shares of the Bank Stock; and (4) the principal shareholders, directors and executive officers of the Company and the Bank as a group. Following consummation of the Share Exchange, these persons will own the same number and percentage of shares of Company Stock, assuming there are no Dissenting Shareholders or Ineligible Shareholders.

Under the rules of the SEC, beneficial ownership includes voting or investment power that is sole or shared. The percentage beneficial ownership for the following table is based upon 3,882,791 shares of Bank Stock issued outstanding as of the date of this Proxy Statement. To the Bank's and the Company's knowledge, unless indicated in the footnotes to this table, each person named in the table has sole voting and investment power with respect to all shares of Bank Stock attributed to him or her. The references to ownership are derived from the Bank's stock transfer records.

<u>Name</u>	<u>Position(s)</u>	<u>Number of Shares</u>	<u>% Ownership</u>
Greg Oakes	President, Chief Executive Officer and Director	25,000	0.64%
Lyman Boyd	Chairman, Director	14,850	0.38%
Kris Loomis	Director	2,650	0.07%
John Doyle	Director	6,000	0.15%
Keith Wiggins	Director	11,500	0.30%
Mike Neff	Director	2,955	0.08%
Krista Beck	Director	400	0.01%
Mike Lundstrom	EVP/ Chief Financial Officer	1,400	0.04%
Steve Vradenburg	EVP/Chief Lending Officer	1,231	0.03%
Sue Ozburn	EVP/Chief Information Officer	2,250	0.06%
Jenny Pulver	EVP/Chief Retail Banking Officer	350	0.01%
<b>Beneficial Owners of over 5% outstanding shares who are not directors or executives*</b>			
Individual Shareholder		387,000	9.96%
<b>Principal shareholders, directors and executive officers as a group</b>		455,586	11.73%

\*Estimated based upon the most recent records available to the Bank.



## SUPERVISION AND REGULATION

### **General**

Banking is a complex, highly regulated industry. The growth and earnings performance of the Company and the Bank can be affected by management decisions, general and local economic conditions, statutes, and the regulations and policies administered by various governmental regulatory authorities. These authorities include, but are not limited to, the Federal Reserve, the FDIC, the WDFI and the Consumer Financial Protection Bureau (the “CFPB”)

The primary goals of the bank regulatory framework are to maintain a safe and sound banking system and to facilitate the conduct of monetary policy. This regulatory framework is intended primarily for the protection of a financial institution’s depositors, rather than the institution’s shareholders and creditors. The following discussion summarizes certain of the material elements of the regulatory framework applicable to bank holding companies and their subsidiaries and provides certain specific information relevant to the Company, which will become a bank holding company. The descriptions are qualified in their entirety by reference to the specific statutes and regulations discussed.

### **Changes in Laws, Regulations or Policies**

Banking is a heavily regulated industry. Additional initiatives may be proposed or introduced before Congress and other government bodies in the future. Such proposals, if enacted, may further alter the structure, regulation and competitive relationship among financial institutions and may subject the Company to increased supervision and disclosure and reporting requirements. In addition, the various bank regulatory agencies often adopt new rules, regulations, and policies to implement and enforce existing legislation. It cannot be predicted whether, or in what form, any such legislation or regulatory changes in policy may be enacted or the extent to which the business of the Company would be affected thereby.

### **Federal Legislation Enacted since 2020**

#### ***The Anti-Money Laundering Act of 2020***

The Anti-Money Laundering Act of 2020 (the “AML Act”) was enacted as part of the National Defense Authorization Act for Fiscal Year 2020 when the U.S. House of Representatives and the U.S. Senate voted by more than a two-thirds majority to override a Presidential veto effective on January 1, 2021 prior to adjourning both houses of Congress. The AML Act is the most significant revision to the anti-money laundering laws since the USA PATRIOT Act of 2001. The AML Act clarifies and streamlines Bank Secrecy Act (“BSA”) and anti-money laundering (“AML”) obligations in the following ways: requiring U.S. entities and entities doing business in the U.S. to report into a national registry maintained by the Financial Crimes Enforcement Network (“FinCEN”) certain beneficial ownership information, subject to exceptions; modernizing the statutory definition of “financial institution” to include (i) entities that provide services involving “value that substitutes for currency”, which includes stored value and virtual currencies and (ii) any person engaged in the trade of antiquities, including an advisor, consultant or any other person who deals in the sale of antiquities; enhances penalties for BSA and AML violations, including claw back of bonuses; increases AML whistleblower awards and expands whistleblower protections; requires the Secretary of the Treasury to establish National AML Priorities and update them every four years, which are incorporated into the BSA compliance programs at financial institutions subject to the BSA; permits collaborative arrangements between financial institutions to participate in common activity or pool resources related to AML/BSA compliance; conduct an annual review of BSA regulations by the Secretary of the Treasury that is reported to Congress; study BSA reporting thresholds and report content; among other amendments to the BSA. The final rule establishing the beneficial ownership registry becomes

effective on January 1, 2024. After the effective date, the AML Act implementing regulations impose the reporting requirement of beneficial ownership of certain business entities on those entities and not on covered financial institutions, such as the Bank.

### **Regulatory Agencies**

In the U.S., banking is regulated at both the federal and state level. Commercial banks in the United States are able to choose to organize as national banks with a charter issued by the OCC or as state banks with a charter issued by a state government. The choice of charter determines which agency will supervise the bank: the primary supervisor of nationally chartered banks is the OCC, whereas state-chartered banks are supervised jointly by their state chartering authority and either the FDIC or the Federal Reserve, depending upon whether the state-chartered bank is a member of the Federal Reserve System. The Company is incorporated in the State of Washington and at the state level is supervised and regulated by the WDFI under the WCBA. The Company is supervised and regulated by the Federal Reserve at the federal level under the BHCA. The Bank is chartered by the State of Washington and at the state level is supervised and regulated by the WDFI under the WCBA and the WBCA. The Bank has elected not to be a member of the Federal Reserve System and, consequently, is supervised and regulated by the FDIC at the federal level. Bank's deposits are insured by the DIF of the FDIC to the extent provided by law.

As a bank holding company, the Company is subject to comprehensive regulation by the Federal Reserve under the BHCA, as amended by the GLBA, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and other legislation, as well as other federal and state laws governing the banking business. The BHCA provides generally for regulation of bank holding companies such as the Company by the Federal Reserve, and for functional regulation of banking activities by bank regulators, securities activities by securities regulators, and insurance activities by insurance regulators.

The Federal Reserve supervises non-banking activities conducted by companies directly and indirectly owned by the Company. In addition, the Company's non-banking subsidiaries will be subject to various other laws, regulations, supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of the Company and its ability to make distributions to shareholders.

### **Bank Holding Company Activities**

The BHCA generally limits the activities in which the Company and its non-banking subsidiaries may engage, to managing or controlling banks and to a range of activities that are considered to be closely related to banking. The list of activities permitted by the Federal Reserve includes, among other things: lending; operating a savings institution, mortgage company, finance company, credit card company or factoring company; performing certain data processing operations; providing certain investment and financial advice; underwriting and acting as an insurance agent for certain types of credit-related insurance; leasing property on a full-payout, non-operating basis; selling money orders; real estate and personal property appraising; providing tax planning and preparation services; and, subject to certain limitations, providing securities brokerage services for customers. These activities may also be affected by other federal legislation.

The Federal Reserve has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Federal and state laws impose notice and approval requirements for certain transactions, including such as the proposed Share Exchange, of other depository institutions or bank holding companies. The BHCA requires the prior approval of the Federal Reserve for the direct or indirect acquisition by a bank holding company of more than 5% of the voting shares or substantially all of the assets of a commercial bank or its parent holding company (including a financial holding company). Additionally, under the Share Exchange, the prior approval of the Federal Reserve and other appropriate bank regulatory authorities is required. In determining whether to approve the proposed share exchange, bank regulatory authorities will consider, among other factors, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the Community Reinvestment Act (see the section captioned "Community Reinvestment Act" included elsewhere in this section) and its compliance with fair housing and other consumer protection laws and the effectiveness of the subject organizations in combating money laundering activities.

### **Dividend Restrictions**

The principal source of the Company's liquidity will be dividends from the Bank. Various federal and state statutory provisions and regulations limit the amount of dividends any Company subsidiary bank and certain other subsidiaries may pay without regulatory approval. The payment of dividends by the Company's subsidiary bank may also be affected by other regulatory requirements and policies, such as the maintenance of adequate capital. If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in, or is about to engage in, an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. Federal regulatory authorities have stated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. In addition, the Federal Reserve has in the past indicated that bank holding companies should carefully review their dividend policies and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

### **Transactions with Affiliates and Insiders**

The Company and the Bank would be deemed affiliates of each other within the meaning of the Federal Reserve Act, and covered transactions between affiliates are subject to certain restrictions, including compliance with Sections 23A and 23B of the Federal Reserve Act and their implementing regulations. These regulations limit the types and amounts of covered transactions engaged in by a financial institution and its affiliates, and generally require those transactions to be on an arm's-length basis. "Covered transactions" are defined by statute and regulation to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In general, these regulations require that any such transaction by a financial institution with an affiliate must be secured by designated amounts of specified collateral and must be limited to certain thresholds on an individual and aggregate basis.

Federal law also limits a bank's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. In addition, the terms of such extensions of credit may not involve more than the

normal risk of non-repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons individually and in the aggregate.

### **Source of Strength**

Federal Reserve policy requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks and, under appropriate circumstances, to commit resources to support each such subsidiary bank. This support may be required at times when the bank holding company may not have the resources to provide the support. If a bank holding company was unable to pay mandated assessments in support of its subsidiary banks, the FDIC could order the sale of the bank holding company's stock in the subsidiary banks to cover the deficiency.

Capital loans by a bank holding company to its subsidiary bank are subordinate in right of payment to deposits and certain other indebtedness of the subsidiary bank. In addition, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of its subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

### **Capital Requirements**

The Company and the Bank are each required to comply with applicable capital adequacy standards established by the Federal Reserve and the FDIC. The current risk-based capital standards applicable to the Company and the Bank are based on the Basel III Capital Rules established by the Basel Committee on Banking Supervision (the "Basel Committee"). The Basel Committee is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. The requirements are intended to ensure that banking organizations have adequate capital given the risk levels of assets and off-balance sheet financial instruments.

As an additional means to identify problems in the financial management of depository institutions, the FDIA requires federal bank regulatory agencies to establish certain non-capital safety and soundness standards for institutions for which they are the primary federal regulator. The standards relate generally to operations and management, asset quality, interest rate exposure and executive compensation. The agencies are authorized to take action against institutions that fail to meet such standards.

In July 2013, the Federal Reserve and the FDIC approved the final rules implementing the Basel Committee's capital guidelines for U.S. banks (Basel III). Under the final rules, which became effective for the Company on January 1, 2015, and were subject to a phase-in period through January 1, 2019, minimum requirements increased for both the quantity and the quality of capital held by the Bank. The rules included a new Common Equity Tier 1 capital to risk-weighted assets ratio ("CET1") of 4.5% and a capital conservation buffer of 2.5% above the regulatory minimum risk-based capital requirements, which fully phased in, effectively results in a minimum CET1 of 7.0%. Basel III also (i) raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% (which, with the capital conservation buffer, effectively results in a minimum Tier 1 capital to risk-weighted assets ratio of 8.5% when fully phased in); (ii) effectively results in a minimum total capital to risk-weighted assets ratio of 10.5% (with the capital conservation buffer fully phased in); and (iii) requires a minimum leverage ratio of 4.0%. Basel III also makes changes to risk weights for certain assets and off-balance sheet exposures.

Banking institutions with a ratio of CET1 to risk-weighted assets below the effective minimum (4.5% plus the capital conservation buffer and, if applicable, the countercyclical capital buffer) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

As of December 31, 2022, the most recent notification from the Bank’s regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

The federal banking agencies jointly issued the Community Banking Leverage Ratio (“CBLR”) final rule effective January 1, 2020. The Bank elected to use the CBLR framework effective January 1, 2020, which allows qualifying community banking organizations to calculate a leverage ratio to measure capital adequacy. A CBLR bank is deemed to have met the well-capitalized ratio requirements and complies with the general applicable capital rule. A qualifying community banking organization is defined as having less than \$10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets.

The Bank met all CBLR requirements as of December 31, 2022.

<b>December 31, 2022</b>	<b>Actual Ratio</b>	<b>CBLR Minimum Ratio</b>	<b>Regulatory Minimum to be “Adequately Capitalized”</b>	<b>Regulatory Minimum to be “Well Capitalized”</b>
Tier 1 leverage	10.68%	9.00%	4.00%	5.00%

<b>December 31, 2021</b>	<b>Actual Ratio</b>	<b>CBLR Minimum Ratio</b>	<b>Regulatory Minimum to be “Adequately Capitalized”</b>	<b>Regulatory Minimum to be “Well Capitalized”</b>
Tier 1 leverage	9.88%	9.00%	4.00%	5.00%

### **Prompt Corrective Action**

The FDIA requires federal bank regulatory agencies to take “prompt corrective action” with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution’s treatment for purposes of the prompt corrective action provisions will depend upon how its capital levels compare to various capital measures and certain other factors, as established by regulation.

Under this system, the federal banking regulators have established five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, in which all depository institutions are placed. The federal banking regulators have specified by regulation the relevant capital levels for each of the categories. Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. A depository institution that is undercapitalized is required to submit a capital restoration plan. Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies by federal bank regulatory agencies, including termination of deposit insurance by the FDIC, restrictions on certain business activities and appointment of the FDIC as conservator or receiver. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized.

A bank will be (i) “well capitalized” if the institution has a total risk-based capital ratio of 10.0% or greater, a CET1 capital ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, and a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (ii) “adequately capitalized” if the institution has a total risk-based capital ratio of 8.0% or greater, a CET1 capital ratio of 4.5% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 4.0% or greater and is

not “well capitalized”; (iii) “undercapitalized” if the institution has a total risk-based capital ratio that is less than 8.0%, a CET1 capital ratio less than 4.5%, a Tier 1 risk-based capital ratio of less than 6.0% or a leverage ratio of less than 4.0%; (iv) “significantly undercapitalized” if the institution has a total risk-based capital ratio of less than 6.0%, a CET1 capital ratio less than 3.0%, a Tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 3.0%; and (v) “critically undercapitalized” if the institution’s tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank’s capital category is determined solely for applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank’s overall financial condition or prospects for other purposes.

The FDIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be “undercapitalized.” “Undercapitalized” institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution’s capital. In addition, for a capital restoration plan to be acceptable, the depository institution’s parent holding company must guarantee that the institution will comply with such capital restoration plan. The bank holding company must also provide appropriate assurances of performance. The aggregate liability of the parent holding company is limited to the lesser of (i) an amount equal to 5.0% of the depository institution’s total assets at the time it became undercapitalized and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.”

“Significantly undercapitalized” depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become “adequately capitalized,” requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. “Critically undercapitalized” institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well-capitalized insured depository institution as adequately capitalized. The FDIA provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice. The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution.

The Bank believes that, as of December 31, 2022, it was “well capitalized” based on the aforementioned ratios.

### **Deposit Insurance Assessments**

The Bank’s deposits are insured by the FDIC. This insurance is funded through assessments on insured depository institutions. The FDIC’s risk-based assessment system requires members to pay varying assessment rates into the Deposit Insurance Fund (“DIF”), depending upon the level of the institution’s capital and the degree of supervisory concern over the institution.

The FDIC insures the deposits of federally insured banks up to prescribed statutory limits for each depositor, currently \$250,000 per depositor for each account ownership category. The amount of FDIC assessments paid by each insured depository institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors. The FDIC's deposit insurance premium assessment is based on an institution's average consolidated total assets minus average tangible equity. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking, if required. If there are additional bank or financial institution failures or if the FDIC otherwise determines to increase assessment rates and the Bank may be required to pay higher FDIC insurance premiums.

The Dodd-Frank Act required the FDIC to assess insured depository institutions to achieve a designated reserve ratio of the DIF to insured deposits in the United States of at least 1.35% by September 30, 2020, which was accomplished on November 28, 2018. However, extraordinary growth in insured deposits in 2020 caused the DIF ratio to fall below 1.35%. Accordingly, on October 24, 2022, the FDIC published a final rule to increase the initial base deposit insurance assessment rate schedules by 2 basis points beginning the first quarterly assessment period of 2023 (*i.e.*, January 1 through March 31, 2023). The FDIC will notify the Bank of the assessment rate that the Bank will be charged for the assessment period.

Any future increases in FDIC insurance premiums may have a material and adverse effect on the Bank, and hence the Company's, earnings. The Bank's FDIC insurance expense totaled \$605,000 and \$560,000 in 2022 and 2021, respectively. Accruals for FDIC assessments are \$600,000 during 2023.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by DIF-insured institutions. It also may prohibit any DIF-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against insured institutions.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement entered into with the FDIC. The Company does not know of any practice, condition or violation that would lead to termination of deposit insurance for its banking subsidiary.

### **Safety and Soundness Standards**

The FDIA requires the federal bank regulatory agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits and such other operational and managerial standards as the agencies deem appropriate. In general, the banking agencies' guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of the

FDIA. See “Prompt Corrective Action” above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

### **Federal Banking Agency Compensation Guidelines**

The Federal Reserve reviews, as part of its regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as the Company, that are not “large, complex banking organizations.” These reviews are tailored to each organization based on the scope and complexity of the organization’s activities and the prevalence of incentive compensation arrangements. The findings of this supervisory initiative will be included in reports of examination. Deficiencies will be incorporated into the organization’s supervisory ratings, which can affect the organization’s ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization’s safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Guidance issued by the Federal Reserve and the FDIC is intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization’s incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization’s ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk-management and (iii) be supported by strong corporate governance, including active and effective oversight by the organization’s board of directors.

During the second quarter of 2016, the U.S. financial regulators, including the FDIC, the Federal Reserve and the SEC, proposed revised rules on incentive-based payment arrangements at specified regulated entities having at least \$1 billion in total assets (which would include the Company and the Bank). The proposed revised rules would establish general qualitative requirements applicable to all covered entities, which would include (i) prohibiting incentive arrangements that encourage inappropriate risks by providing excessive compensation; (ii) prohibiting incentive arrangements that encourage inappropriate risks that could lead to a material financial loss; (iii) establishing requirements for performance measures to appropriately balance risk and reward; (iv) requiring board of director oversight of incentive arrangements; and (v) mandating appropriate record-keeping. Under the proposed rule, larger financial institutions with total consolidated assets of at least \$50 billion would be subject to additional requirements applicable to such institutions’ “senior executive officers” and “significant risk-takers.” These additional requirements would not be applicable to the Company or the Bank.

The scope, content and application of the U.S. banking regulators’ policies on incentive compensation continue to evolve. It cannot be determined at this time whether compliance with such policies will adversely affect the ability of the Company and the Bank to hire, retain and motivate key employees.

### **Cybersecurity**

Federal regulators have issued multiple statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures, to reliably authenticate customers accessing internet-based services of the financial institution. The other statement indicates that a financial institution’s



management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. Failure to observe the regulatory guidance in the form of a final regulation under the Administrative Procedure Act could subject the Company and the Bank to various regulatory sanctions, including financial penalties.

In the ordinary course of business, the Company and the Bank rely on electronic communications and information systems to conduct operations and to store sensitive data. The Company and the Bank employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of their defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date, the Company and the Bank have not detected a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, the Company's and the Bank's systems and those of their customers and third-party service providers are under constant threat and it is possible that the Company or the Bank could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by the Company, the Bank and their customers.

### **Fiscal and Monetary Policies**

The Bank's business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. The Bank is particularly affected by the policies of the Federal Reserve, which regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the Federal Reserve are (a) conducting open market operations in United States government securities, (b) changing the discount rates of borrowings of depository institutions, (c) imposing or changing reserve requirements against depository institutions' deposits and (d) imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the Federal Reserve may have a material effect on the Bank's business, results of operations and financial condition.

### **Privacy Provisions of the GLBA**

Federal banking regulators, as required under the GLBA, have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of the GLBA affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

### **Durbin Amendment**

The Durbin Amendment is part of the Dodd-Frank Act that limits transaction fees imposed upon merchants by debit card issuers. Interchange fees or "debit card swipe fees" are paid to banks by acquirers for the privilege of accepting payment cards. The Durbin Amendment applies to banks with over \$10 billion in assets, and presently does not apply to the Company or the Bank. The Durbin amendment gave the Federal Reserve the power to regulate debit card interchange fees. The Federal Reserve set the maximum

interchange fee an issuer can receive from a single debit card transaction to 21 cents per transaction plus five basis points multiplied by the amount of the transaction. This rule also allows issuers to raise their interchange fees by as much as one cent if they implement certain fraud-prevention measures. On October 11, 2022, the Federal Reserve published a final rule amending the Durbin Amendment regulation to apply the requirement that debit card transactions be able to be processed on at least two unaffiliated payment card networks for card not present transactions among other changes. These changes go into effect on July 1, 2023 and could increase the cost to consumers in debit card transactions.

### **Anti-Money Laundering and the Patriot Act**

The USA Patriot Act of 2001 (the “Patriot Act”) facilitates the ability of U.S. law enforcement agencies and intelligence communities to work together to combat terrorism on a variety of fronts. The Patriot Act imposes significant compliance and due diligence obligations, specifies crimes and penalties and establishes the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations, which apply various requirements of the Patriot Act to financial institutions such as the Bank. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and have significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The Patriot Act also requires federal bank regulators to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve a proposed bank acquisition. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations. See also the discussion above concerning the AML Act.

### **Office of Foreign Assets Control Regulation**

The U.S. Treasury Department’s Office of Foreign Assets Control, or OFAC, administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries.

Banking regulators examine banks for compliance with the economic sanctions regulations administered by OFAC. Financial institutions are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious financial, legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

### **Community Reinvestment Act**

The Community Reinvestment Act of 1977 (the “CRA”), requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practices. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low- and moderate-income individuals and communities. Depository

institutions are periodically examined for compliance with the CRA and are assigned ratings. In order for a bank holding company to commence any new activity permitted by the BHCA, or to acquire any company engaged in any new activity permitted by the BHCA, each insured depository institution subsidiary of the bank holding company must have received a rating of at least “satisfactory” in its most recent examination under the CRA. Furthermore, banking regulations take into account CRA rating when considering approval of a proposed transaction. During its last examination, a rating of “satisfactory” was received by the Bank on April 1, 2021.

On May 5, 2022, the Federal banking agencies released a notice of proposed rulemaking to “strengthen and modernize” the CRA regulations by updating how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated. Management will monitor this proposed rule.

### **Consumer Laws and Regulations**

Banks and other financial institutions are subject to numerous laws and regulations intended to protect consumers in their transactions with banks. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Service Members Civil Relief Act and these laws’ respective state-law counterparts, as well as state usury laws and laws regarding unfair and deceptive acts and practices. These and other federal laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive practices, restrict the Bank’s ability to raise interest rates and subject the Bank to substantial regulatory oversight. Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution, and attorneys’ fees. Federal bank regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, action by the state and local attorneys general in each jurisdiction in which the Bank operates and civil money penalties. Failure to comply with consumer protection requirements may also result in the Bank’s failure to obtain any required bank regulatory approval for merger or acquisition transactions the Bank may wish to pursue or its prohibition from engaging in such transactions even if approval is not required.

The CFPB is a federal agency responsible for implementing, examining and enforcing compliance with federal consumer protection laws. The CFPB focuses on:

- Risks to consumers and compliance with the federal consumer financial laws, when it evaluates the policies and practices of a financial institution.
- The markets in which firms operate and risks to consumers posed by activities in those markets.
- Depository institutions that offer a wide variety of consumer financial products and services.
- Depository institutions with a more specialized focus.
- Non-depository companies that offer one or more consumer financial products or services.

The CFPB has broad rulemaking authority for a wide range of consumer financial laws that apply to all banks, including, among other things, the authority to prohibit “unfair, deceptive or abusive” acts and practices. Abusive acts or practices are defined as those that materially interfere with a consumer’s ability to understand a term or condition of a consumer financial product or service or take unreasonable advantage of a consumer’s (i) lack of financial savvy, (ii) inability to protect himself in the selection or use of consumer financial products or services, or (iii) reasonable reliance on a covered entity to act in the consumer’s

interests. The CFPB has examination and enforcement authority over all banks with more than \$10 billion in assets, as well as their affiliates and the CFPB can issue cease-and-desist orders against banks with more than \$10 billion in assets and other entities that violate consumer financial laws. The CFPB may also institute a civil action against an entity in violation of federal consumer financial law in order to impose a civil penalty or injunction. Banking regulators take into account compliance with consumer protection laws when considering approval of a proposed transaction. Because the Company and the Bank have less than \$10 billion in assets, they are not subject to the examination and enforcement authority of the CFPB.

### **Interstate Banking and Branching**

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act, as amended by the Dodd-Frank Act (the “Riegle-Neal Act”), a bank holding company may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, prior to or following the proposed acquisition, control no more than 10% of the total amount of deposits of insured depository institutions nationwide and no more than 30% of such deposits in that state (or such amount as set by the state if such amount is lower than 30%).

The Riegle-Neal Act also authorizes banks to merge across state lines, thereby creating interstate branches. Banks are also permitted to either acquire existing banks or to establish new branches in other states where authorized under the laws of those states. The Dodd-Frank Act also requires that a bank holding company or bank be well-capitalized and well-managed (rather than simply adequately capitalized and adequately managed) in order to take advantage of these interstate banking and branching provisions.

### **Depositor Preference**

The FDIA provides that, in the event of the “liquidation or other resolution” of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors with respect to any extensions of credit they have made to such insured depository institution.

### **State Regulation**

The Company is a newly formed Washington corporation which will be a bank holding company for the Bank. The Company will be subject to regulation by Federal Reserve as a bank holding company under the BHCA. The Bank will continue to be subject to regulation by the WCBA and the WBCA.

The Bank is a Washington state bank. Accordingly, the Bank’s operations are subject to various requirements and restrictions of Washington state law relating to loans, lending limits, interest rates payable on deposits, investments, mergers and acquisitions, borrowings, dividends, capital adequacy and other matters.

National banks are authorized by the GLBA to engage, through “financial subsidiaries,” in any activity that is permissible for a financial holding company and any activity that the Secretary of the Treasury, in consultation with the Federal Reserve, determines is financial in nature or incidental to any such financial activity, except (1) insurance underwriting, (2) real estate development or real estate investment activities (unless otherwise permitted by law), (3) insurance company portfolio investments and (4) merchant banking. The authority of a national bank to invest in a financial subsidiary is subject to a

number of conditions, including, among other things, requirements that the bank must be well managed and well capitalized (after deducting from the bank's capital outstanding investments in financial subsidiaries). The GLBA provides that state nonmember banks, such as the Bank, may invest in financial subsidiaries (assuming they have the requisite investment authority under applicable state law), subject to the same conditions that apply to national bank investments in financial subsidiaries.

In addition to the provisions of the GLBA that authorize state nonmember banks to invest in financial subsidiaries (assuming they have the requisite investment authority under applicable state law) on the same conditions that apply to national banks, Federal Deposit Insurance Corporation Improvement Act ("FDICIA") provides that FDIC-insured state banks, such as the Bank, may engage directly or through a subsidiary in certain activities that are not permissible for a national bank, if the activity is authorized by applicable state law, the FDIC determines that the activity does not pose a significant risk to the DIF and the bank is in compliance with its applicable capital standards.

As a state nonmember bank, the Bank is subject to primary supervision, periodic examination and regulation by the WDFI and the FDIC. The WDFI is authorized by statute to accept an FDIC examination in lieu of a state examination. In practice, the FDIC and the WDFI alternate examinations of the Bank. If, as a result of an examination of a bank, the WDFI determines that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the bank's operations are unsatisfactory or that the management of the bank is violating or has violated any law or regulation, various remedies, including the remedy of injunction, are available to the WDFI.

### **Securities Laws**

The Company's common stock is not publicly held and therefore the Company is not subject to the periodic reporting, information, proxy solicitation, insider trading, corporate governance and other requirements and restrictions of the Securities Exchange Act of 1934 and the regulations of the SEC promulgated thereunder. In addition, the Dodd-Frank Act includes provisions that affect corporate governance and executive compensation at most United States publicly traded companies, which does not include the Company.

The Company is not subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- required executive certification of financial presentation;
- increased requirements for board audit committees and their members;
- enhanced disclosures of controls and procedures and internal control over financial reporting;
- enhanced controls over, and reporting of, insider trading and
- increased penalties for financial crimes and forfeiture of executive bonuses in certain circumstances.

## **FINANCIAL STATEMENTS**

The Bank's Call Reports are available over the Internet at the FDIC's website at [www.fdic.gov](http://www.fdic.gov) and at [www.ffiec.gov](http://www.ffiec.gov).

## **AVAILABLE INFORMATION**

Neither the Company nor the Bank has filed a registration statement in connection with the Share Exchange, and the Bank and the Company are not currently subject to the requirements of the Securities Exchange Act of 1934. The Company intends to furnish to its shareholders annual reports containing financial statements and such other periodic reports as the Company's Board of Directors may determine to be appropriate or required by law. Requests for further information should be directed to Michael Lundstrom, 117 Aplets Way, Cashmere, Washington 98815.

---

### **Index of Appendices**

Appendix A: Agreement and Plan of Share Exchange and Reorganization

Appendix B: Provisions of the Washington Commercial Bank Act relating to rights of dissenting shareholders

Appendix C: Articles of Incorporation of the Company, Articles of Incorporation of the Bank

Appendix D: Call Reports (December 31, 2022, 2021 and 2020)

**Appendix A**  
**Agreement and Plan of Share Exchange and Reorganization**

## AGREEMENT AND PLAN OF SHARE EXCHANGE AND REORGANIZATION

THIS AGREEMENT AND PLAN OF SHARE EXCHANGE AND REORGANIZATION (this “Agreement”), is entered into effective as of March 8, 2023, by and between CVB Holdings, Inc., a Washington corporation (the “Company”) and Cashmere Valley Bank, a Washington state commercial bank (the “Bank”).

### RECITALS

WHEREAS, the parties desire to enter into this Agreement, which provides for the exchange by Bank shareholders (“Bank Shareholders”) of their shares of the Bank’s common stock, no par value per share (the “Bank Stock”) for shares of common stock of the Company, \$0.01 par value per share (the “Company Stock”), for the purpose of forming a bank holding company for the Bank (the “Share Exchange”);

WHEREAS, the parties desire to effect the Share Exchange, for the purpose of allowing the Company to acquire 100% of the issued and outstanding shares of Bank Stock, which will occur pursuant to certain transactions governed by the terms of the Washington Commercial Bank Act, Sections 30A.04 *et seq.* (the “WCBA”), and Section 368(a) and other applicable provisions of the Internal Revenue Code (the “Code”); and

WHEREAS, the parties intend that the Share Exchange qualify as a “reorganization” within the meaning of Section 368(a) of the Code and that this Agreement constitutes a “plan of reorganization” for purposes of Sections 354 and 361 of the Code.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements herein contained, the parties hereto agree as set forth below.

#### **1. The Share Exchange; Effect of Share Exchange.**

a. Subject to the provisions hereof, all of the issued and outstanding shares of capital stock of the Bank, all of which are held by the Bank Shareholders, shall be acquired by the Company in exchange for shares of Company Stock in accordance with the provisions of the WCBA.

b. At the Closing (as defined in Section 8) of the Share Exchange, each Bank Shareholder shall receive one share of Company Stock in exchange for each share of Bank Stock presented to the Bank, which also is serving as the exchange agent (the “Exchange Agent”) in accordance with Section 2 of this Agreement.

c. From and after the Effective Time (as defined in Section 8) of the Share Exchange:

i. the separate corporate existence of the Bank shall be maintained, and the Bank shall continue to operate under its Articles of Incorporation and Bylaws;



ii. all issued and outstanding capital stock of the Bank, subject to the rights of dissent prescribed by law, shall immediately, by operation of law, and without any further conveyance and transfer, become the property of the Company;

iii. the business presently conducted by the Bank shall, subject to the actions of the board of directors and officers of the Bank and consummation of the transactions contemplated by this Agreement, continue to be conducted by the Bank as a wholly owned subsidiary of the Company; and

iv. the Bank shall continue to have all the rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of a Washington state commercial bank organized under the laws of the State of Washington, and no rights or obligations of the Bank shall be affected or impaired by the Share Exchange.

d. Equity Incentive Plan and Awards.

i. As of the Effective Time, each issued and outstanding option and restricted stock award to acquire shares of Bank Stock shall be automatically converted into an option or restricted stock award, as the case may be, to acquire shares of Company Stock, in the same amount and upon the same terms and conditions as were in effect prior to the Share Exchange. Consequently, as a result of the Share Exchange, the Bank will have no outstanding options or restricted stock awards to acquire Bank Stock, and the Company will have options and restricted stock awards outstanding to acquire 125,436 and 140 shares of Company Stock, respectively (assuming no new awards, or the issuances, expirations, terminations or exercises of options or restricted stock awards prior to the Effective Time).

ii. As of the Effective Time, and in conjunction with the conversion of outstanding options of the Bank for options of the Company, the Company shall adopt and assume the Bank's 2014 Stock Option and Equity Compensation Plan (the "Equity Plan"), which shall, after the Effective Time, be plan of the Company.

iii. The options to purchase shares of Bank Stock which have been granted by the Bank pursuant to the Equity Plan or otherwise shall be deemed to be options granted by the Company with the same terms and conditions and for the same number of shares of common stock of the Company. Restricted stock awards which have been granted by the Bank pursuant to the Equity Plan or otherwise shall be deemed to be restricted stock awards granted by the Company with the same terms and conditions and for the same number of shares of common stock of the Company.

iv. Outstanding certificates representing shares of the Bank Stock awarded with such restrictions as set forth on the applicable award agreement pursuant to the Equity Plan shall thereafter represent shares of the Company Stock with such terms, conditions and restrictions as originally awarded by the Bank.

**2. Exchange Procedures; Dissenting and Ineligible Shareholders.**

a. Manner of Exchange.

i. Broadridge Financial Solutions, Inc. shall serve as the exchange agent hereunder (the "Exchange Agent"). Within 10 days following the Effective Time of the Share Exchange, the Company shall use its best efforts to cause the Exchange Agent, to send or cause to be sent to each Bank Shareholder transmittal materials (the "Bank Stock Transmittal Letter") for use in exchanging their certificates (each, a "Certificate", it being understood that any reference herein to "Certificate" shall be deemed to include reference to book-entry accounts relating to the ownership of Bank Stock) formerly representing shares of Bank Stock for certificates representing shares of Company Stock.

ii. Upon surrender to the Exchange Agent of a Certificate, together with a properly executed Bank Stock Transmittal Letter, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of Company Stock equal to the number of shares of Bank Stock surrendered by the Bank Shareholder, and such Certificate shall forthwith be canceled. As soon as practicable after the Effective Time and the surrender of a Certificate to the Exchange Agent, together with properly completed and an executed Bank Stock Transmittal Letter, the Exchange Agent will promptly deliver the shares of Company Stock to the surrendering Bank Shareholder.

iii. The Company shall cause the Exchange Agent to deliver all Certificates representing Bank Stock received from all Bank Shareholders to a duly authorized representative of the Company. All questions as to validity, form and eligibility of any surrender of Certificates hereunder will be determined by the Company (which may delegate power in whole or in part to the Exchange Agent), and such determination shall be final and binding.

iv. On the Closing Date, the stock transfer books of the Bank shall be closed as to the Bank Shareholders immediately prior to the Closing Date, and no transfer of shares of Bank Stock by any Bank Shareholder shall thereafter be made or recognized and each outstanding Certificate formerly representing shares of Bank Stock shall, without any action on the part of any holder thereof, no longer represent Bank Stock. From and after the Effective Time, each Certificate representing shares of Bank Stock shall represent for all purposes the right to receive certificates representing shares of Company Stock as provided in this Agreement and shall not represent the right to receive any other consideration, including dividends of the Bank or interest with respect to such shares of Company Stock.

b. Lost Stock Certificates. In the event that one or more Certificates representing a Bank Shareholder's shares of Bank Stock shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Bank Shareholder claiming such Certificates to be lost, stolen or destroyed and, if required by the Company or the Exchange Agent, the posting by such Bank Shareholder of a bond in such amount as the Company or the Exchange Agent may direct as indemnity against any claim that may be made against it with respect to such Certificates, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificates the shares of Company Stock deliverable in respect thereof pursuant to this Agreement.

c. Shares of Company Stock to be issued to Persons Other than Bank Shareholders. In the event that the delivery of certificates representing shares of Company Stock contemplated by this Agreement is to be made to a person other than the person in whose name any surrendered Certificate representing shares of Bank Stock is registered, such Certificate so surrendered shall be properly endorsed (or accompanied by an appropriate instrument of transfer), with the signatures appropriately guaranteed, and otherwise in proper form for transfer, and the person requesting such delivery shall pay any transfer or other taxes required by reason of the delivery to a person other than the registered holder of such Certificate surrendered or establish to the satisfaction of the Company, in its sole discretion, that such tax has been paid or is not applicable.

d. Appraisal Rights.

i. Any Bank Shareholder may receive cash payment for the value of such Bank Shareholder's shares of Bank Stock by (A) voting such shares against the Share Exchange at the Bank's annual meeting of shareholders or giving written notice at or prior to such meeting to the Bank that he or she dissents from the Share Exchange and has not voted in favor of the Share Exchange; and (B) making written demand to the Bank at any time within 30 days after the date of shareholder approval of the Share Exchange, accompanied by the surrender of his or her Certificates, in each case in accordance with Sections 30A.04.560 and 30A.04.565 (together, the "Dissent Provisions") of the WCBA.

ii. Each outstanding share of Bank Stock for which a Bank Shareholder has perfected his or her demand for payment of the value of such share of Bank Stock in accordance with the Dissent Provisions, to the extent applicable, and has not effectively withdrawn or lost such person's right to such appraisal, shall not be converted into or represent a right to receive certificates representing shares of Company Stock in the Share Exchange but the holder thereof shall be entitled only to such rights as are granted by the Dissent Provisions. Each Bank Shareholder who becomes entitled, pursuant to the Dissent Provisions, to payment of value for any shares of Bank Stock held by such Bank Shareholder (each a "Dissenting Shareholder") shall receive payment therefor from the Bank (but only in the amounts required by the Dissent Provisions), and all of such Dissenting Shareholder's shares of Bank Stock shall be canceled. If any Dissenting Shareholder shall have failed to perfect or shall have effectively withdrawn or lost such right to demand payment of value, the shares of Bank Stock held by such Dissenting Shareholder shall thereupon be deemed to have been converted into the right to receive certificates representing shares of Company Stock pursuant to the Share Exchange, as provided by this Agreement.

e. Ineligible Shareholders. If the relevant securities laws of any state in which a Bank Shareholder resides do not provide an exemption from registration under such securities laws for the issuance of the Company Stock in connection with the Share Exchange and the Company Stock cannot be registered in such state without undue expense to the Company, as determined by the board of directors of the Company, in its sole discretion, then each share the Bank Stock that is beneficially owned on the Effective Time of the Share Exchange by such Bank Shareholder (herein referred to as an "Ineligible Shareholder"), without any action on the part of the holder thereof, shall be converted into and exchanged for cash in an amount equal to the fair market value of a share of Bank Stock as of the date this Agreement is

approved by the Bank Shareholders, with such fair market value to be determined by the board of directors of the Company, in its discretion.

f. Laws of Escheat. If any of the certificates representing shares of Company Stock due to be delivered to Bank Shareholder for Certificates representing their shares of Bank Stock are not delivered within the time period specified by any applicable laws concerning abandoned property, escheat or similar laws, and if such failure to deliver such certificates representing shares of Company Stock occurs or arises out of the act that such property is not claimed by the proper owner thereof, the Company or the Exchange Agent shall be entitled to dispose of any such certificates in accordance with applicable laws concerning abandoned property, escheat or similar laws. Any other provision of this Agreement notwithstanding, none of the Company, the Bank, the Exchange Agent, nor any other person acting on behalf of any of them shall be liable to any Bank Shareholder for Certificates representing shares of Bank Stock for any property delivered in good faith to a public official pursuant to and in accordance with any applicable abandoned property, escheat or similar law.

g. Cancellation of Treasury Stock. All shares of Bank Stock that were held by the Bank as treasury stock, if any, shall be canceled and retired, and no consideration shall be paid or delivered in exchange therefore.

**3. Representations and Warranties of the Bank.** The Bank hereby represents and warrants to the Company as follows:

a. Organization. The Bank is a banking corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has full corporate power and authority to own its properties, to engage in the business and activities now conducted by it and to enter into this Agreement.

b. Capitalization. The authorized capital stock of the Bank consists of 10,000,000 shares of Bank Stock. There are 3,883,971 shares of Bank Stock issued and outstanding. All such shares of Bank Stock are validly issued, fully paid and nonassessable. Except as set forth on Schedule 3(b), there are no existing options, warrants, calls or commitments of any kind obligating the Bank to issue any of its authorized and unissued capital stock.

c. Approvals. The board of directors of the Bank has approved this Agreement and the transactions contemplated hereby, subject to the approval thereof by the shareholders of the Bank as required by law. This Agreement has been duly executed and delivered by the Bank and when executed by the Company and duly approved by the shareholders of the Bank, it will be a binding agreement of the Bank enforceable against it in accordance with its terms.

d. No Conflict with Other Instruments. Subject to the receipt of all required regulatory approvals and compliance with all applicable federal and state laws, the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby will not violate any provision of, or constitute a default under, any order, writ, injunction or decree of any governmental authority, or any contract, agreement or instrument to which the

Bank is a party or by which it is bound, or constitute an event which with the lapse of time or action by a third-party would result in any default under any of the foregoing or result in the creation of any lien, charge or encumbrance upon any of the assets or properties of the Bank or upon the Bank Stock.

4. **Representations and Warranties of the Company.** The Company hereby represents and warrants to the Bank as follows:

a. **Organization.** The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington, and has full corporate power to own its properties, to carry on its business as now being, and presently contemplated to be, conducted and to enter into this Agreement. The Company does not have subsidiaries.

b. **Capitalization.** The authorized capital stock of the Company consists of 50,000,000 shares of Company Stock and 1,000,000 shares of “blank check” preferred stock (“Company Preferred Stock”). As of the date hereof, there are no shares of Company Stock or Company Preferred Stock issued and outstanding, and there are no existing options, warrants, calls or commitments of any kind obligating the Company to issue any of its authorized and unissued capital stock. Pursuant to the Company’s Articles of Incorporation, the Company is authorized to issue shares of Preferred Stock from time to time in one or more series upon authorization by the board of directors of the Company without further approval of the Company’s shareholders, which authorization includes the right to fix the dividend rights and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, and any other rights, preferences, privileges and restrictions applicable to each series of Preferred Stock.

c. **The Company Stock.** The Company Stock deliverable pursuant to this Agreement will, upon delivery, be validly issued, fully paid and nonassessable.

d. **Approvals.** The board of directors of the Company has approved this Agreement and the transactions contemplated hereby, and no approval by the shareholders of the Company is required by law in order to consummate the transactions contemplated hereby. The Agreement has been duly executed by the Company and constitutes a binding agreement of the Company enforceable against it in accordance with its terms.

e. **No Conflict with Other Instruments.** Subject to the receipt of all required regulatory approvals and compliance with all applicable federal and state laws, the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby will not violate any provision of, or constitute a default under any order, writ, injunction or decree of any governmental authority, or any contract, agreement or instrument to which the Company is a party or by which it is bound, or constitute an event which with the lapse of time or action by a third-party could result in any default under any of the foregoing or result in the creation of any lien, charge or encumbrance upon any of the assets or properties of the Company or upon shares of capital stock of the Company.

5. **Reporting Obligations.** The parties hereto agree to report the Share Exchange as a nontaxable reorganization under Section 368(a)(1)(F) of the Code on all applicable federal and

state tax returns. Each party to this Agreement that is treated as a corporation or a significant shareholder as defined in Treasury Regulations Section 1.368-3 agrees that each such party will adopt this Agreement as a valid plan of reorganization and file the statement required by Treasury Regulation Section 1.368-3 with the Internal Revenue Service in a timely manner.

**6. Covenants of the Bank.** The Bank hereby covenants to and with the Company as follows:

a. Existence. From and after the date of this Agreement until the Closing Date, the Bank will maintain its corporate existence and without the written consent of the Company (i) will not amend its Articles of Incorporation or Bylaws and (ii) will not issue any securities except in connection with the vesting of equity incentive awards listed on Schedule 3(b).

b. Access to Properties and Records. The Bank will afford to the officers and authorized representatives of the Company full access to the properties, books and records of the Bank in order that the Company may have full opportunity to make such reasonable investigation as they shall desire to make of the affairs of the Bank, and the officers of the Bank will furnish the Company with such additional financial and operating data and other information as to the business and properties of the Bank as the Company shall, from time to time, reasonably request.

c. Information for Applications and Statements. The Bank will furnish the Company with all information concerning the Bank required for inclusion in any application or statement to be made by the Company to or filed by the Company with any other governmental authority in connection with the transactions contemplated by this Agreement or in connection with any unrelated transactions during the pendency of this Agreement, and the Bank represents and warrants that all information so furnished for such statements and applications shall be true and correct in all material respects without omission of any material fact required to be stated therein to make the information not materially misleading.

d. Shareholder Meeting. The Bank shall take all action necessary in accordance with its Articles of Incorporation and Bylaws, the WCBA and the WBCA to duly call, give notice of, convene and hold a meeting of the Bank Shareholders as promptly as practicable for the purpose of obtaining the approval of the holders of two-thirds of the shares of Bank Stock entitled to vote on this Agreement (the "Requisite Shareholder Approval"; such meeting or any adjournment or postponement thereof, the "Bank Shareholders Meeting"), and shall solicit, and use its reasonable best efforts to obtain, the approval of the Bank Shareholders thereof.

**7. Covenants of the Company.** The Company hereby covenants to and with the Bank as follows:

a. Best Efforts. The board of directors of the Company will use its best efforts to take or cause to be taken all actions necessary, proper or advisable to consummate this Agreement.

b. Existence. From and after the date of this Agreement to the Closing Date, the Company will maintain its corporate existence and without the prior written consent of the

Bank (i) will not amend its Articles of Incorporation or Bylaws; and (ii) will not issue any securities except as contemplated by this Agreement.

c. Information for Applications and Statements. The Company will furnish the Bank with all the information concerning the Company required for inclusion in any application or statement to be made by the Bank to any governmental authority in connection with the transactions contemplated by this Agreement, and it represents and warrants that all information so furnished for such statements and applications shall be true and correct in all material respects without omission of any material fact required to be stated therein to make the information furnished not materially misleading.

d. Access to Records. The Company will afford to the officers and authorized representatives of the Bank full access to the books and records of the Company in order that the Bank may have full opportunity to make such reasonable investigation as it shall desire to make of the affairs of the Company, and the officers of the Company will furnish the Bank with such additional financial data and other information as to the business of the Company as the Bank shall, from time to time, reasonably request.

e. Issuance of Shares of Company Stock. The Company will issue and deliver, when and if required by the provisions of this Agreement, certificates representing the number of duly authorized, issued and outstanding shares of Company Stock, as required by this Agreement.

## **8. Closing; Effective Time; Termination.**

a. Closing. Closing of the Share Exchange (“Closing”) will occur on a date mutually acceptable to the Company and the Bank (herein called the “Closing Date”) as soon as practicable within the 60-day period commencing with the latest of the following dates:

i. such date as may be prescribed by any governmental authority pursuant to any applicable federal or state law, rule, regulation or order, prior to which consummation of the Share Exchange may not be effected; or

ii. if the transactions contemplated by this Agreement are being contested in any legal proceeding and the Company or the Bank pursuant to Section 9(c)(i) has elected to contest the same, then the date that such proceeding has been brought to a conclusion favorable, in the judgment of the Company and the Bank, or such prior date as the Company and the Bank shall elect whether or not such proceeding has been brought to a conclusion.

b. Closing Mechanics. At Closing, the parties to this Agreement will exchange certificates, letters and other documents in order to determine whether any condition exists which would permit the parties to this Agreement to terminate this Agreement. If no such condition then exists or if neither party elects to exercise any right it may have to terminate this Agreement, then and thereupon the appropriate parties shall execute such documents and instruments as maybe necessary or appropriate in order to effect the transactions contemplated by this Agreement.

c. Effective Time. The Share Exchange shall become effective on the date and at the time (the “Effective Time”) on which the Share Exchange is deemed effective pursuant to the filing evidencing the Share Exchange to be filed with the Office of the Secretary of State of Washington.

d. Termination.

i. This Agreement may be terminated by action of the Board of Directors of the Company or the Bank at any time prior to the Closing Date if:

(A) there shall be any actual or threatened action or proceeding by or before any governmental authority which shall seek to restrain, prohibit or invalidate the transactions contemplated by this Agreement and which, in the judgment of such Board(s) of Directors, makes it inadvisable to proceed with the Share Exchange;

(B) any of the transactions contemplated hereby are disapproved by any governmental authority whose approval is required to consummate any of such transactions, or if, in the judgment of such Board(s) of Directors there is a substantial likelihood that any such approval will not be obtained or will be obtained only upon a condition or conditions which would be unduly burdensome and that therefore it is inadvisable to proceed with the Share Exchange; or

(C) the Share Exchange shall not have become effective prior to December 31, 2023, or such later date as shall have been approved by the Board of Directors of each of the Company and the Bank.

ii. This Agreement may be terminated by action of the Board of Directors of the Company or the Bank at any time prior to the Closing Date if the Requisite Shareholder Approval shall not have been obtained at the Bank Shareholders Meeting.

iii. This Agreement may be terminated at any time prior to the Closing Date with the mutual consent the Bank and the Company upon the approval of such action by their respective Boards of Directors.

## **9. Conditions to the Obligations of the Parties.**

a. Conditions to the Obligations of the Company. The obligations of the Company to consummate the Share Exchange pursuant to this Agreement are subject to the satisfaction at or prior to the Closing Date of the following conditions, which may be waived by the Company in its sole discretion:

i. Compliance with Representations and Warranties. The representations and warranties made by the Bank in this Agreement were true when made and shall be true on the Closing Date with the same force and effect as if such representations and warranties were made at and as of the Closing Date, and the Bank shall have performed or complied with all covenants and conditions required by this Agreement to be performed and complied with prior to or at the Closing.



ii. Federal Income Tax Consequences. The federal income tax consequences of any of the transactions contemplated by this Agreement shall be satisfactory to the Company in its sole discretion.

iii. Dissenters' Rights and Other Shareholders Receiving Cash. The aggregate number of shares of Bank Stock owned by those Bank Shareholders (A) who have perfected and shall be entitled to exercise their dissenters' rights; and (B) that are Ineligible Shareholders, shall not exceed 0.50% of the issued and outstanding shares of Bank Stock.

iv. Dividend Payment by the Bank. There shall be no legal or regulatory restrictions on the Bank's ability to pay dividends with respect to the Bank Stock immediately following the Effective Time in an amount that will be sufficient to allow the Company to (A) pay cash for shares of Bank Stock owned by Dissenting Shareholders; (B) pay cash for shares of Bank Stock owned by Ineligible Shareholders; and (C) pay organizational and other expenses incurred by the Company in connection with the transactions contemplated by this Agreement.

b. Conditions to the Obligations of the Bank. The obligations of the Bank to consummate the Share Exchange pursuant to this Agreement are subject to the satisfaction at or prior to the Closing Date of the following conditions, which may be waived by the Bank in its sole discretion:

i. Compliance with Representations and Warranties. The representations and warranties made by the Company in this Agreement were true when made and shall be true as of the Closing Date with the same force and effect as if such representations and warranties were made at and as of the Closing, and the Company shall have performed and complied with all covenants and conditions required by this Agreement to be performed or complied with by the Company prior to or at the Closing.

ii. Material Adverse Change. Prior to the Closing Date, there shall not have occurred any material adverse change in the financial condition, business or operations of the Company or the Bank, nor shall any event have occurred which with the lapse of time may cause or create any material adverse change in its respective financial condition, business or operations.

c. Condition to the Obligations of the Company and the Bank. The respective obligations of the Company and the Bank to consummate the Share Exchange pursuant to this Agreement are subject to the satisfaction of the following condition, which may be waived by the Bank or the Company in their respective sole discretion:

i. Government Approvals. The Company and the Bank shall have received the approval of the transactions contemplated by this Agreement from all necessary governmental authorities, including, if applicable, the Board of Governors of the Federal Reserve System, the FDIC and the WDFI, and such approvals and the transactions contemplated hereby shall not have been contested by any governmental authority or any third-party by formal proceeding. It is understood that, if any contest as aforesaid is brought by formal proceedings,

the Company or the Bank may, but shall not be obligated to, answer and defend such contest or otherwise pursue the Share Exchange over such objection.

ii. Shareholder Approval. The Requisite Shareholder Approval shall have been obtained.

**10. Miscellaneous.**

a. Rules of Construction. When a reference is made in this Agreement to an Article, Section or Exhibit, such reference shall be to an Article or Section of, or an Exhibit to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision in this Agreement. Each use herein of the masculine, neuter or feminine gender shall be deemed to include the other genders. Each use herein of the plural shall include the singular and vice versa, in each case as the context requires or as is otherwise appropriate. The word “or” is used in the inclusive sense. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein.

b. Survival of Representations and Warranties. The representations and warranties of the Bank and the Company contained in this Agreement shall survive the Closing hereunder and any investigation by the Company or the Bank.

c. Amendments. This Agreement may be amended only by a writing signed by the parties hereto, at any time prior to the Closing Date with respect to any of the terms contained herein.

d. Notices. Any notice given hereunder shall be in writing and shall be mailed by first class mail, postage prepaid, to the parties at the following addresses:

To the Company: CVB Holdings, Inc.  
c/o Cashmere Valley Bank  
117 Aplets Way  
Cashmere, Washington 98815  
Attention: Greg Oakes, President and CEO

To the Bank: Cashmere Valley Bank  
117 Aplets Way  
Cashmere, Washington 98815  
Attention: Greg Oakes, President and CEO

e. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns but shall not be assigned by any party without the prior written consent of all other party. All understandings and agreements heretofore made among the parties hereto are merged in this Agreement which shall be the sole expression of the agreement of the parties respecting the Share Exchange.

f. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall be deemed to constitute one and the same instrument.

g. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Washington and, to the extent applicable, federal law.

[SIGNATURE PAGE FOLLOWS]

**Signature Page to Agreement and Plan of Share Exchange and Reorganization**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement and Plan of Share Exchange and Reorganization to be executed as of the date first above written.

THE BANK:

THE COMPANY:

CASHMERE VALLEY BANK

CVB HOLDINGS, INC.

By: /s/ Greg Oakes \_\_\_\_\_  
Greg Oakes,  
President and CEO

By: /s/ Greg Oakes \_\_\_\_\_  
Greg Oakes,  
President and CEO

**Schedule 3(b)  
Capitalization**

125,436 options  
140 restricted stock awards

**Provisions of the Washington Commercial Bank Act Relating to Rights of Dissenting Shareholders**

**30A.04.560. Reorganization as subsidiary of bank holding company — Dissenter's rights — Conditions.**

If the shareholders approve the reorganization by a two-thirds vote of each class of shares entitled to vote under the terms of such shares, and if it is thereafter approved by the director and consummated, any shareholder of the banking corporation who has voted shares against such reorganization at such meeting or has given notice in writing at or prior to such meeting to the banking corporation that he or she dissents from the plan of reorganization and has not voted in favor of the reorganization, shall be entitled to receive the value of the shares determined as provided in RCW 30A.04.565. Such dissenter's rights must be exercised by making written demand which shall be delivered to the corporation at any time within thirty days after the date of shareholder approval, accompanied by the surrender of the appropriate stock certificates.

**30A.04.565. Reorganization as subsidiary of bank holding company — Valuation of shares of dissenting shareholders.**

The value of the shares of a dissenting shareholder who has properly perfected dissenter's rights shall be ascertained as of the day prior to the date of the shareholder action approving such reorganization by three appraisers, one to be selected by the owners of two-thirds of the dissenting shares, one by the board of directors of the acquiring bank holding company, and the third by the two so chosen. The valuation agreed upon by any two appraisers shall govern. The dissenting shareholders shall bear, on a pro rata basis based on the number of dissenting shares owned, the cost of their appraisal and one-half of the cost of the third appraisal, and the acquiring bank holding company shall bear the cost of its appraisal and one-half of the cost of the third appraisal. If the appraisal is not completed within ninety days after the effective date of the reorganization, the director shall cause an appraisal to be made which shall be final and binding upon all parties. The cost of such appraisal shall be borne equally by the dissenting shareholders and the acquiring bank holding company. The dissenting shareholders shall share their half of the cost on a pro rata basis based on the number of dissenting shares owned.

**Appendix C**  
**Articles of Incorporation of the Company,**  
**Articles of Incorporation of the Bank**

**APPROVED**  
*Roberta Hollinshead*  
DIRECTOR OF BANKS  
DEPARTMENT OF FINANCIAL INSTITUTIONS

**FILED**  
Secretary of State  
State of Washington  
Date Filed: 03/07/2023  
Effective Date: 03/07/2023  
UBI No: 605 121 618

**ARTICLES OF INCORPORATION  
OF  
CVB HOLDINGS, INC.**

The undersigned, being the Incorporator of CVB Holdings, Inc., executes the following Articles of Incorporation for the corporation.

**ARTICLE 1  
NAME**

**Section 1.1** The name of the corporation shall be CVB Holdings, Inc.

**ARTICLE 2  
DURATION**

**Section 2.1** The corporation's period of duration shall be perpetual.

**ARTICLE 3  
PURPOSE**

**Section 3.1** The purpose for which the corporation is organized is the transaction of any and all lawful business for which corporations may be incorporated under the Washington Business Corporation Act (as amended from time to time, the "Act").

**ARTICLE 4  
CAPITAL STOCK**

**Section 4.1** The aggregate number of shares which the corporation shall have authority to issue is 50,000,000 common shares, par value \$0.01 per share (hereinafter referred to as "the common stock") and 1,000,000 preferred shares, par value \$0.01 per share (hereinafter referred to as "the preferred stock"). The holders of shares of common stock shall be entitled to one vote for each share so held with respect to all matters voted on by the shareholders of the corporation. The preferred stock is senior to the common stock, and the common stock is subject to the rights and preferences of the preferred stock as may be provided pursuant to Section 4.2.

**Section 4.2** The board of directors is hereby vested with authority to divide any or all of the preferred stock into one or more series and, within the limitations set forth in the Act, to fix and determine or to amend the relative rights and preferences of the shares of any series so established.

**ARTICLE 5  
NO PREEMPTIVE RIGHTS**

**Section 5.1** No shareholder shall have the preemptive right to acquire unissued shares of the corporation.

**ARTICLE 6  
NO CUMULATIVE VOTING**

**Section 6.1** No shareholder shall be entitled to cumulate his votes in the election of directors.



**ARTICLE 7  
AMENDMENT**

**Section 7.1** The corporation reserves the right to amend, alter, change or repeal any provision of its Articles of Incorporation to the extent permitted by, and in accordance with, the laws of the State of Washington. All rights of shareholders are granted subject to this reservation.

**ARTICLE 8  
INTERESTED PARTY TRANSACTIONS**

**Section 8.1** The corporation may enter into a contract and otherwise transact business as vendor, purchaser, or otherwise, with its directors, officers and shareholders, and with corporations, associations, firms and entities in which they are or may become interested as directors, officers, shareholders, members or otherwise, as freely as though such adverse interest did not exist, even though the vote, action or presence of such director, officer or shareholder may be necessary to obligate the corporation upon such contract or transaction; and in the absence of fraud, no such contract or transaction shall be avoided and no such director, officer or shareholder shall be held liable to account to the corporation, by reason of such adverse interest or any fiduciary relationship to the corporation arising out of such office or stock ownership, for any profit or benefit realized by him through any such contract or transaction; provided that the nature of the interest of such director, officer or shareholder, though not necessarily the details or extent thereof, be disclosed or known to the board of directors or shareholders of the corporation, at the meeting thereof at which such contract or transaction is authorized or confirmed. A general notice that a director, officer or shareholder of the corporation is interested in any corporation, association, firm or entity shall be sufficient disclosure as to such director, officer or shareholder with respect to all contracts and transactions with that corporation, association, firm or entity.

**ARTICLE 9  
INDEMNIFICATION**

**Section 9.1 - Defined Terms.** As used in this Article 9:

(a) "Egregious conduct" by a person shall mean acts or omissions that involve intentional misconduct or a knowing violation of law, conduct violating the Act, or participation in any transaction from which the person will personally receive a benefit in money, property, or services to which the person is not legally entitled.

(b) "Finally adjudged" shall mean stated in a judgment based upon clear and convincing evidence by a court having jurisdiction, from which there is no further right to appeal.

(c) "Director" shall mean any person who is a director of the corporation and any person who, while a director of the corporation, is serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or is a fiduciary or party in interest in relation to any employee benefit plan covering any employee of the corporation or of any employer in which it has an ownership interest; and "conduct as a director" shall include conduct while a director is acting in any of such capacities.

(d) "Officer-director" shall mean any person who is simultaneously both an officer and director of the corporation and any person who, while simultaneously both an officer and director of the corporation, is serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or is a fiduciary or party in interest in relation to any employee benefit plan covering any employee of the

corporation or of any employer in which it has an ownership interest; and “conduct as an officer-director” shall include conduct while an officer-director is acting as an officer of the corporation or in any of such other capacities.

(c) “Subsidiary corporation” shall mean any corporation at least eighty percent of the voting stock of which is held beneficially by this corporation.

**Section 9.2 - Liability of Directors.** No director, officer-director, former director or former officer-director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for conduct as a director or officer-director occurring after the effective date of this Article 9 unless the conduct is finally adjudged to have been egregious conduct, as defined herein.

**Section 9.3 - Liability of Subsidiary Directors.** No director, officer-director, former director, or former officer-director of a subsidiary corporation shall be personally liable in any action brought directly by this corporation as a shareholder of the subsidiary corporation or derivatively on behalf of the subsidiary corporation (or by any shareholder of this corporation double-derivatively on behalf of this corporation and the subsidiary corporation) for monetary damages for conduct as a director or officer-director of such subsidiary corporation occurring after the effective date of this Article 9 unless the conduct is finally adjudged to have been egregious conduct, as defined herein.

**Section 9.4 - Indemnification of Directors.** The corporation shall indemnify any person who is, or is threatened to be made, a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and whether by or in the right of the corporation or its shareholders or by any other party, by reason of the fact that the person is or was a director or officer-director of the corporation or of a subsidiary corporation against judgments, penalties or penalty taxes, fines, settlements (even if paid or payable to the corporation or its shareholders or to a subsidiary corporation) and reasonable expenses, including attorneys’ fees, actually incurred in connection with such proceeding unless the liability and expenses were on account of conduct finally adjudged to be egregious conduct, as defined herein. The reasonable expenses, including attorneys’ fees, of such person incurred in connection with such proceeding shall be paid or reimbursed by the corporation, upon request of such person, in advance of the final disposition of such proceeding upon receipt by the corporation of a written, unsecured promise by the person to repay such amount if it shall be finally adjudged that the person is not eligible for indemnification. All expenses incurred by such person in connection with such proceeding shall be considered reasonable unless finally adjudged to be unreasonable.

**Section 9.5 - Procedure.** No action by the board of directors, the shareholders, independent counsel, or any other person or persons shall be necessary or appropriate to the determination of the corporation’s indemnification obligation in any specific case, to the determination of the reasonableness of any expenses incurred by a person entitled to indemnification under this Article 9, nor to the authorization of indemnification in any specific case.

**Section 9.6 Internal Claims Expected.** Notwithstanding Section 9.4, the corporation shall not be obligated to indemnify any person for any expenses, including attorneys’ fees, incurred to assert any claim against the corporation (except a claim based on Section 9.7) or any person related to or associated with it, including any person who would be entitled hereby to indemnification in connection with the claim.

**Section 9.7 - Enforcement of Rights.** The corporation shall indemnify any person granted indemnification rights under this Article 9 against any reasonable expenses incurred by the person to enforce such rights.

**Section 9.8 - Set-off of Claims.** Any person granted indemnification rights herein may directly assert such rights in set-off of any claim raised against the person by or in the right of the corporation and shall be entitled to have the same tribunal which adjudicates the corporation's claim adjudicate the person's entitlement to indemnification by the corporation.

**Section 9.9 - Continuation of Rights.** The indemnification rights provided in this Article 9 shall continue as to a person who has ceased to be a director or officer-director and shall inure to the benefit of the heirs, executors, and administrators of such person.

**Section 9.10 - Effect of Amendment or Repeal.** Any amendment or repeal of this Article 9 shall not adversely affect any right or protection of a director, officer-director, former director or former officer-director existing at the time of such amendment or repeal with respect to acts or omissions occurring prior to such amendment or repeal.

**Section 9.11 - Severability of Provisions.** Each of the substantive provisions of this Article 9 is separate and independent of the others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions.

## ARTICLE 10 ACTION BY WRITTEN CONSENT OF SHAREHOLDERS

**Section 10.1.** Any action required or permitted to be taken at a shareholders' meeting may be taken without a meeting if either:

- (a) the action is taken by written consent of all shareholders entitled to vote on the action; or
- (b) so long as the corporation does not have any capital stock registered under the Securities Exchange Act of 1934, as amended, the action is taken by written consent of shareholders holding of record, or otherwise entitled to vote, in the aggregate not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on the action were present and voted.

To the extent prior notice of any such action is required by law to be given to nonconsenting or nonvoting shareholders, such notice shall be made before the date on which the action becomes effective. The form of the notice shall be sufficient to apprise the nonconsenting or nonvoting shareholder of the nature of the action to be effected, in a manner approved by the board of directors or by the board committee or officers to whom the board of directors has delegated that responsibility.

## ARTICLE 11 TRANSACTION CONSIDERATIONS

The board of directors of the corporation, when evaluating any offer of another party to (a) make a tender or exchange offer for any equity security of the corporation (b) merge or consolidate the corporation with another corporation, or (c) purchase or otherwise acquire all or substantially all of the properties and assets of the corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the corporation and its stockholders, give due consideration to all relevant factors, including without limitation the social and economic effects on the employees, customers, suppliers and other constituents of the corporation and its subsidiaries and on the communities in which the corporation and its subsidiaries operate or are located.

Executed this 28<sup>th</sup> day of February 2023.

CVB HOLDINGS, INC.

By:   
Mike Lundstrom, Incorporator

117 Aplets Way  
Cashmere, WA 98815



Office of the Secretary of State  
Corporations & Charities Division

Physical/Overnight address

801 Capitol Way S  
Olympia, WA 98501-1226  
Tel: 360.725.0377

Mailing Address

PO Box 40234  
Olympia, WA 98504-0234  
www.sos.wa.gov/corps

This Box For Office Use Only

Filing Fee \$180

To Expedite Filing, Add \$50

**Articles of Incorporation  
Washington Profit Corporation  
RCW 23B**

**All fields are required unless otherwise specified**

**(1) Do you already have a UBI No.?** (Check one)  Yes  No If Yes, provide UBI No.: \_\_\_\_\_

If No, a new UBI# will be issued to you upon successful completion of the filing.

**(2) BUSINESS NAME:** CVB Holdings, Inc.

**If designation is not provided, it will default to INC**

**For name requirements review the following RCW(s): RCW 23.95.305**

Does the business have a name reserved? (Check one)  Yes  No

If Yes, provide the Name Reservation Number and Name

Reservation Number: \_\_\_\_\_

Reserved Name: \_\_\_\_\_

**(3) PERIOD OF DURATION :** Check ONE of the following

This Company shall have a perpetual duration (default)  This Company shall have a duration of \_\_\_\_\_ years.

This Company shall expire on \_\_\_\_\_

**(4) EFFECTIVE DATE:** Check ONE of the following:

Date of filing  Specify a date \_\_\_\_\_ (cannot be more than 90 days following received date)

**(5) REGISTERED AGENT:**

**COMMERCIAL REGISTERED AGENT**

A Commercial Registered Agent is a business or individual that is registered with the Office of the Secretary of State to receive legal documents on behalf of a corporation. A Commercial Registered Agent address has been registered with our office.

Is the Registered Agent a Commercial Registered Agent? (Check one)  Yes  No

If Yes, provide the name of the Commercial Registered Agent: Corporation Service Company

The Commercial Registered Agent must sign the consent to serve below.

If No, continue below

**NON-COMMERCIAL REGISTERED AGENT**

Please complete **ONE** type of Registered Agent below and provide the name in the selected box. Then continue to provide the required street address. Mailing address is optional.

<input type="checkbox"/> <b>Individual:</b> _____	Provide the first and last name of the individual serving as the Registered Agent. (Any person not registered as a Commercial Registered Agent.)
<input type="checkbox"/> <b>Business:</b> _____	Provide the name of the business serving as the Registered Agent. (Any business not registered as a Commercial Registered Agent.)
<input type="checkbox"/> <b>Office or Position:</b> _____	<u>Do not</u> list a business or individual's name. Provide the office or position that serves as the Registered Agent. (Examples: President, Secretary, Treasurer, or Member)
Phone: _____	Email: _____
<b>Registered Agent Street Address (required)</b> (Must be a physical address; No PO Box or PMB) Country: <u>United States</u> State: <u>Washington</u> Address : _____ Zip: _____      City: _____	<b>Registered Agent Mailing Address (optional)</b> <input type="checkbox"/> Check if mailing address is the same as street address Country: <u>United States</u> State: <u>Washington</u> Address : _____ Zip: _____      City: _____

**CONSENT TO SERVE AS REGISTERED AGENT - REQUIRED FOR ALL TYPES**

I hereby consent to serve as Registered Agent in the State of Washington for the named business. I understand it will be my responsibility to accept service of process, notices, and demands on behalf of the business; to forward mail to the business; and to immediately notify the Office of the Secretary of State if I resign or change the Registered Office Address

Corporation Service Company

By: Katherine Carney      Asst. Secretary      03/07/2023

**Signature of Registered Agent**      **Printed Name/Title**      **Date**

---

**(6) CORPORATE SHARES:**

Number of Authorized Shares: \_\_\_\_\_ (Minimum of one share must be listed)

Common Stock (default)       Preferred Stock

If preferred is checked, a further description will be needed prior to issuance of shares.  
Please refer to RCW 23B.06.010 and RCW 23B.06.020

---

**(7) RETURN ADDRESS FOR THIS FILING: (Optional)**

If provided, the confirmation regarding this specific filing will be sent to the address below, in addition to the Registered Agent's address.

Attention: \_\_\_\_\_ Email: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

---

**(8) INCORPORATOR INFORMATION:**

**Name, address, and signature required. Attach additional sheets if necessary.**

**I hereby certify, under penalty of law, that the above information is accurate and complies with the filing requirements of state law.**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Country: \_\_\_\_\_

\_\_\_\_\_  
**Signature of Incorporator**

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Date**

# STATE of WASHINGTON



## SECRETARY of STATE

I, **RALPH MUNRO**, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

### CERTIFICATE OF AMENDMENT

to

CASHMERE VALLEY BANK

a Washington Bank corporation. Articles of Amendment were filed for record in this office on the date indicated below.

UBI Number: 041 000 860

Date: July 02, 1998



Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

Ralph Munro, Secretary of State

1998 3348 03760 001-008



AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
CASHMERE VALLEY BANK

**APPROVED**

*[Signature]*  
Asst Director of Financial Institutions

\*\*\*\*\*

ARTICLE I

The name of this corporation shall be and is Cashmere Valley Bank.

FILED  
STATE OF WASHINGTON

JUL 02 1998

ARTICLE II

The principal office and place of business of this corporation shall be in Cashmere, County of Chelan, Washington.

RALPH MUNRO  
SECRETARY OF STATE

ARTICLE III

The nature of the business for which this corporation is formed shall be and is that of a commercial and savings bank, to engage in and carry on such activities as are permitted to banks under applicable law.

ARTICLE IV

The total number of shares of stock that this corporation is authorized to issue is Ten Million (10,000,000) shares of common stock with no par value.

Unless otherwise determined by the board of directors, no shareholder of the corporation shall be entitled to preemptive rights to purchase, subscribe for, or otherwise acquire any stock which the corporation may issue or sell, including unissued shares of stock of the corporation.

ARTICLE V

The period of existence of this corporation shall be perpetual.

ARTICLE VI

Section 6.1 The board of directors shall consist of not fewer than five (5) nor more than seven (7) persons. The exact number within such minimum and maximum limit shall be fixed and determined by resolution of the board of directors. The number of directors elected by the shareholders at the last preceding annual meeting may be increased or decreased by not more than two directors between annual meetings of the shareholders, and no decrease in the number of directors shall have the effect of shortening the term of any incumbent director. The board of directors may appoint qualified persons to fill the vacancies created by any such increase; provided, that at no time shall the total number exceed seven (7).

Check - 07/01/1998 - 1986827  
Val: 07/02/1998 - 128923  
\$50.00 on 07/02/1998

Section 6.2 Each director shall hold office until the sine die adjournment of the next succeeding annual meeting of the shareholders and until any successor who may have been elected to his position shall become qualified, unless removed in accordance with the provisions of these Articles.

Section 6.3 No director may be removed from office without cause except by a vote of 66 2/3%, or with cause except by a vote of a majority, of the shares then entitled to vote at an election of directors. Except as otherwise provided by law, cause for removal shall exist only if the board of directors has reasonable grounds to believe that this corporation has suffered or will suffer substantial injury as a result of the gross negligence or dishonesty of the director whose removal is proposed.

## ARTICLE VII

Section 7.1 For purposes of this Article:

(a) An interested shareholder transaction means any transaction between a corporation, or any subsidiary thereof, and an interested shareholder of such corporation or an affiliated person to an interested shareholder, that must be authorized pursuant to applicable law by a vote of the shareholders.

(b) An interested shareholder:

(1) includes any person or group of affiliated persons who beneficially own twenty percent or more of the outstanding voting shares of a corporation. An affiliated person is any person who either acts jointly or in concert with, or directly or indirectly controls, is controlled by, or is under common control with another person; and

(2) Excludes any person who, in good faith and not for the purpose of circumventing this Article, is an agent, custodial bank, broker, nominee, or trustee for another person, if such other person is not an interested shareholder under Section 7.1(b)(1) of this Article.

Section 7.2 Except as provided in Section 7.3 of this Article, an interested shareholder transaction must be approved by the affirmative vote of the holders of two-thirds of the shares entitled to be counted under this Section 7.2, or if any class of shares is entitled to vote thereon as a class, then by the affirmative vote of two-thirds of the shares of each class entitled to be counted under this Section 7.2 and of the total shares entitled to be counted under this Section 7.2. All outstanding shares entitled to vote under applicable law or the Articles of Incorporation shall be entitled to be counted under this Section 7.2, except shares owned by or voted under the control of an interested shareholder may not be counted to determine whether shareholders have approved a transaction for purposes of this Section 7.2. The vote of the shares owned by or voted under the control of an interested shareholder, however, shall be counted in determining whether a transaction is approved under other provisions of applicable law and for purposes of determining a quorum.

Section 7.3 This Article shall not apply to a transaction:

(a) Approved by a majority vote of the board of directors. For such purpose, the vote of directors whose votes are otherwise entitled to be counted under the Articles of Incorporation and applicable law who are directors or officers of, or have a material financial interest in, an interested shareholder, or who were nominated for election as a director as a result of an arrangement with an interested shareholder and first elected as a director within twenty-four months of the proposed transaction, shall not be counted in determining whether the transaction is approved by such directors; or

(b) In which a majority of directors whose votes are entitled to be counted under Section 7.3(a) determines that the fair market value of the consideration to be received by noninterested shareholders for shares of any class of which shares are owned by any interested shareholder is not less than the highest fair market value of the consideration paid by any interested shareholder in acquiring shares of the same class within twenty-four months of the proposed transaction.

Section 7.4 This Article may be amended or repealed only by the affirmative vote of the holders of two-thirds of the shares entitled to be counted under this Section 7.4. All outstanding shares entitled to vote under applicable law or the Articles of Incorporation shall be entitled to be counted under this Section 7.4, except shares owned by or voted under the control of an interested shareholder may not be counted to determine whether shareholders have voted to approve the amendment or repeal. The vote of the shares owned by or voted under the control of an interested shareholder, however, shall be counted in determining whether the amendment or repeal is approved under other provisions of applicable law and for purposes of determining a quorum.

Section 7.5 The requirements imposed by this Article are to be in addition to, and not in lieu of, requirements imposed on any transaction by any provision of applicable law, or any other provision of the Articles of incorporation, or the Bylaws or otherwise.

#### ARTICLE VIII

The board of directors of this corporation, when evaluating any offer of another party to (a) make a tender or exchange offer for any equity security of this corporation, (b) merge or consolidate this corporation with another corporation, or (c) purchase or otherwise acquire all or substantially all of the properties and assets of this corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of this corporation and its stockholder, give due consideration to all relevant factors, including without limitation the social and economic effects on the employees, customers, suppliers and other constituents of this corporation and its subsidiaries and on the communities in which this corporation and its subsidiaries operate or are located.

## ARTICLE IX

Section 9.1 - Defined Terms. As used in this Article:

(a) "Egregious conduct" by a person shall mean acts or omissions that involve intentional misconduct or a knowing violation of law, or participation in any transaction from which the person will personally receive a benefit in money, property, or services to which the person is not legally entitled.

(b) "Finally adjudged" shall mean stated in a judgment based upon clear and convincing evidence by a court having jurisdiction, from which there is no further right to appeal.

(c) "Director" shall mean any person who is a director of the corporation and any person who, while a director of the corporation, is serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or is a fiduciary or party in interest in relation to any employee benefit plan covering any employee of the corporation or of any employer in which it has an ownership interest; and "conduct as a director" shall include conduct while a director is acting in any of such capacities.

(d) "Officer-director" shall mean any person who is simultaneously both an officer and director of the corporation and any person who, while simultaneously both an officer and director of the corporation, is serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or is a fiduciary or party in interest in relation to any employee benefit plan covering any employee of the corporation or of any employer in which it has an ownership interest; and "conduct as an officer-director" shall include conduct while an officer-director is acting as an officer of the corporation or in any of such other capacities.

(e) "Subsidiary corporation" shall mean any corporation at least eighty percent of the voting stock of which is held beneficially by this corporation.

Section 9.2 - Indemnification of Directors. The corporation shall indemnify any person who is, or is threatened to be made, a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and whether by or in the right of the corporation or its shareholders or by any other party, by reason of the fact that the person is or was a director or officer-director of the corporation or of any subsidiary corporation against judgments, penalties or penalty taxes, fines, settlements (even if paid or payable to the corporation or its shareholders or to a subsidiary corporation) and reasonable expenses, including attorneys' fees, actually incurred in connection with such proceeding unless the liability and expenses were on account of conduct finally adjudged to be egregious conduct, as defined herein. The reasonable expenses, including attorneys' fees, of such person incurred in connection with such proceeding shall be paid or reimbursed by the corporation, upon request of such person, in advance of the final disposition of such proceeding upon receipt by the corporation of a written, unsecured promise by the person to repay such amount if it shall be finally adjudged that the person is not eligible

for indemnification. All expenses incurred by such person in connection with such proceeding shall be considered reasonable unless finally adjudged to be unreasonable.

Section 9.3 - Procedure. No action by the board of directors, the shareholders, independent counsel, or any other person or persons shall be necessary or appropriate to the determination of the corporation's indemnification obligation in any specific case, to the determination of the reasonableness of any expenses incurred by a person entitled to indemnification under this Article, nor to the authorization of indemnification in any specific case.

Section 9.4 - Internal Claims Excepted. Notwithstanding Section 9.2, the corporation shall not be obligated to indemnify any person for any expenses, including attorneys' fees, incurred to assert any claim against the corporation (except a claim based on Section 9.5) or any person related to or associated with it, including any person who would be entitled hereby to indemnification in connection with the claim.

Section 9.5 - Enforcement of Rights. The corporation shall indemnify any person granted indemnification rights under this Article against any reasonable expenses incurred by the person to enforce such rights.

Section 9.6 - Set-off of Claims. Any person granted indemnification rights herein may directly assert such rights in set-off of any claim raised against the person by or in the right of the corporation and shall be entitled to have the same tribunal which adjudicates the corporation's claim adjudicate the person's entitlement to indemnification by the corporation.

Section 9.7 - Continuation of Rights. The indemnification rights provided in this Article shall continue as to a person who has ceased to be a director or officer-director and shall inure to the benefit of the heirs, executors, and administrators of such person.

Section 9.8 - Effect of Amendment or Repeal. Any amendment or repeal of this Article shall not adversely affect any right or protection of a director, officer-director, former director or former officer-director existing at the time of such amendment or repeal with respect to acts or omissions occurring prior to such amendment or repeal.

Section 9.9 - Severability of Provisions. Each of the substantive provisions of this Article is separate and independent of the others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions.

Dated: June 23, 1998



Ken Martin, President & CEO

ARTICLES OF AMENDMENT AND RESTATEMENT  
OF  
ARTICLES OF INCORPORATION  
OF  
CASHMERE VALLEY BANK

**APPROVED**

*[Signature]*  
~~Asst. Director of Financial Institutions~~

THESE ARTICLES OF AMENDMENT AND RESTATEMENT to the Articles of Incorporation of Cashmere Valley Bank, a Washington banking corporation ("Bank"), are executed pursuant to the provisions of the Revised Code of Washington 30.08.055 and 30.08.090, amending the Articles of Incorporation as set forth below:

1. The name of the Bank is Cashmere Valley Bank.
2. Article IV of the Articles of Incorporation of the Bank is amended to read as follows:

**ARTICLE IV**

The total number of shares of stock that this corporation is authorized to issue is Ten Million (10,000,000) shares of common stock with no par value.

Unless otherwise determined by the board of directors, no shareholder of the corporation shall be entitled to preemptive rights to purchase, subscribe for, or otherwise acquire any stock which the corporation may issue or sell, including unissued shares of stock of the corporation.

3. Article X of the Articles of Incorporation of the Bank is deleted in its entirety.
4. The above amendments and the Amended and Restated Articles of Incorporation, attached hereto and incorporating the foregoing amendments, were adopted by a majority of the Board of Directors of the Bank on June 23, 1998.
5. The amendments to the Articles (i) change the par value of the Bank's stock, (ii) change the number of authorized shares to effectuate a stock split, and (iii) delete the directors names and addresses. Therefore, the above amendments and the Amended and Restated Articles of Incorporation, attached hereto and incorporating the foregoing amendments, do not require shareholder approval, pursuant to the provisions of RCW 30.08.090.

DATED this 23rd day of July, 1998.

The foregoing is certified by the duly authorized officer of Cashmere Valley Bank.

CASHMERE VALLEY BANK

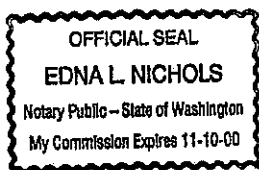
By: *[Signature]*  
Its: President & CEO

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF CHELAN )

On this day 23rd day of June, 1998, before me personally appeared Ken Martin, to me known to be the President & CEO of Cashmere Valley Bank, the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the said instrument, and that the seal affixed, if any, is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

*Edna L. Nichols*  
(Signature)  
Edna L. Nichols  
(Please print name legibly)



NOTARY PUBLIC in and for the State of  
Washington, residing at WEAVER.  
My commission expires: 11/10/00.

