



Notice of 2022 Annual Meeting of Shareholders

Avidbank Holdings, Inc.

When: May 17, 2022 10:00 a.m. Pacific Time

Where: Avidbank Holdings, Inc. Corporate Headquarters, 1732 North 1st Street; San Jose, California 95112

To Our Shareholders:

Notice is hereby given of the Annual Meeting of Shareholders of Avidbank Holdings, Inc. The meeting will be held at 10:00 a.m. Pacific Time on Tuesday, May 17, 2022 at the Avidbank Holdings corporate headquarters, at the address above.

At the Annual Meeting you will be asked (1) to elect nine (9) directors of Avidbank Holdings, Inc. to serve until the next annual meeting of shareholders and until their successors are duly elected and qualified, (2) to ratify the selection of independent auditors, (3) to approve an amendment to the Avidbank Holdings, Inc. Articles of Incorporation to increase the authorized shares of common stock from ten million (10,000,000) shares to fifteen million (15,000,000) shares, (4) to approve the adoption of the Avidbank Holdings 2022 Equity Incentive Plan, (5) to approve the adjournment of the Annual Meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient votes at the time of the Annual Meeting in favor of the Articles Amendment (Proposal 3) and/or the Equity Incentive Plan (Proposal 4), and (6) to act on such other business as may properly come before the meeting.

We intend to hold our annual meeting in person consistent with the requirements of the California Corporations Code. However, as part of our precautions regarding the COVID-19 pandemic, we are asking shareholders who plan to attend the meeting in person to please contact our Chief Financial Officer, Patrick Oakes at (408) 831-5653 or us at poakes@avidbank.com no later than Friday, May 13, 2022 at 10 a.m. Pacific Time so that we can properly prepare.

Our nine (9) nominees for director are: Mark D. Mordell, Kristofer W. Biorn, Lisa B. Hendrickson, Diane J. Flynn, Bryan C. Polster, Roxy H. Rapp, Michael F. Rosinus, Robert H. Scott and Marc J. Verissimo.

You are urged to read the accompanying Proxy Statement carefully. It contains a detailed explanation of all matters on which you will be asked to vote. Only shareholders of record as of the close of business on March 21, 2022 are entitled to receive notice of and to vote at this meeting or any postponement or continuation thereof. The 2021 Annual Report to Shareholders is enclosed. If you do not receive the Annual Report, or would like another copy, please promptly contact the company's Chief Financial Officer, Patrick Oakes, at (408) 831-5653.

Whether or not you plan to attend the Annual Meeting, please respond to this proxy. You may vote using any of the following methods: 1) mail; 2) internet, by going to www.voteproxy.com; or, 3) in person, by attending the Annual Meeting (see instructions above). Please view your proxy card for further instructions on how to vote. It is very important as many shares as possible be represented at the meeting. Your proxy may be changed or revoked at any time prior to the time it is voted, either by mail, through the website, or by voting in person.

If you would like to listen to the Annual Meeting proceedings, you may register at the following address, but note that listening in does not constitute presence at the Annual Meeting for legal purposes and you will not be able to vote (or change your vote) while listening.

https://us02web.zoom.us/webinar/register/WN_NZxMet4YQ_OzO3dQRVacwA

We look forward to seeing you on Tuesday, May 17, 2022.

Sincerely yours,

Kristofer W. Biorn,
Corporate Secretary
March 31, 2022

**PROXY STATEMENT
OF
AVIDBANK HOLDINGS, INC.**

**1732 N 1st Street, 6th Floor
San Jose, CA 95112**

These proxy materials are furnished in connection with the solicitation by the Board of Directors of Avidbank Holdings, Inc., a California corporation, (the “Company”) of your proxy for use at the Annual Meeting of Shareholders of the Company to be held on Tuesday, May 17, 2022 at 10:00 a.m. Pacific Time at the Company’s corporate headquarters and at any postponement or adjournment thereof. It is expected this proxy statement and the accompanying notice and form of proxy will be provided to shareholders on or about March 31, 2022.

Purpose of Meeting

The matters to be considered and voted upon at the meeting will be:

1. Election of Directors. The election of nine (9) directors to serve until the next Annual Meeting of Shareholders and until their successors are elected and qualified.
2. Independent Auditors. The ratification of the Audit Committee’s selection of Crowe LLP as independent auditors for the fiscal year ended December 31, 2022.
3. Articles Amendment. To approve an amendment to the Company’s Articles of Incorporation to increase the Company’s authorized shares of common stock from ten million (10,000,000) to fifteen million (15,000,000).
4. Equity Incentive Plan. To approve the Company’s 2022 Equity Incentive Plan.
5. Adjournment. To approve the adjournment of the Annual Meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient votes at the time of the Annual Meeting in favor of the Articles Amendment (Proposal 3) and/or the Equity Incentive Plan (Proposal 4).

Other Business. To transact such other business as may properly come before the meeting and at any postponements and adjournments thereof.

General Proxy Statement Information

The Company is currently authorized to issue up to 10,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of March 21, 2022 (the “Record Date”), 6,316,573 shares of common stock and no shares of preferred stock were outstanding. Only those common shareholders of record as of the “Record Date” will be entitled to notice of, and to vote at, the meeting.

The presence in person or by proxy of a majority of the outstanding shares of stock entitled to vote at the Annual Meeting will constitute a quorum for the purpose of transacting business at the meeting. Abstentions, shares as to which voting authority has been withheld from any nominee and “broker non-votes” (as defined below), will be counted only for purposes of determining the presence or absence of a quorum.

A broker or nominee holding shares for beneficial owners may vote on certain matters at the meeting pursuant to discretionary authority or instructions from the beneficial owners, but with respect to other matters for which the broker or nominee may not have received instructions from the beneficial owners and may not have discretionary voting power under the applicable rule of the New York Stock Exchange or other self-regulatory

organizations to which the broker or nominee is a member, the shares held by the broker or nominee may not be voted. Such unvoted shares are called “broker nonvotes.” Under applicable rules, brokers or other nominees may not exercise discretionary voting power on certain matters. Brokers or other nominees may have discretionary voting power for Proposal 2 (Ratification of our independent auditors) and Proposal 3 (Articles Amendment), but not for Proposal 1 (Election of Directors), Proposal 4 (2022 Equity Incentive Plan) or Proposal 5 (Adjournment or Postponement of the Annual Meeting). Abstentions and broker nonvotes will have no effect on Proposal 2 or Proposal 5, unless the votes in favor of ratification of our independent auditors or in favor of adjourning or postponing the Annual Meeting to solicit additional votes constitute less than a majority of the required quorum at the meeting. Abstentions and broker nonvotes will have the effect of a vote AGAINST Proposal 3 and Proposal 4 since those matters must be approved by a majority of the Company’s outstanding shares. As a result, if you do not provide specific voting instructions to your record holder, that record holder will not be able to vote on Proposal 1, 3 or 4. It is therefore important that you provide instruction to your broker if your shares are held by a broker so that your vote with respect to directors will be counted.

Revocability of Proxies

Shareholders of record may vote their shares in person, by using the internet or by mail. Instructions for using these services are set forth in the proxy materials provided to you. Any shareholder who executes and delivers such proxy, or who has voted the proxy electronically, has the right to revoke it at any time before it is exercised by filing with the Corporate Secretary of the Company an instrument revoking it or by filing a duly executed proxy bearing a later date. In addition, the powers of the proxy holder will be revoked if the person executing the proxy is present at the meeting and elects to vote in person by advising the chairman of the meeting of such election. Subject to such revocation or suspension, all shares represented by a properly executed proxy received in time for the meeting will be voted by the proxy holders in accordance with the instructions on the proxy.

IF NO INSTRUCTION IS SPECIFIED WITH REGARD TO A MATTER TO BE ACTED UPON, THE SHARES REPRESENTED BY THE PROXY WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS “FOR” THE ELECTION OF ALL NOMINEES FOR DIRECTOR LISTED HEREIN, “FOR” RATIFICATION OF THE BOARD OF DIRECTORS’ SELECTION OF INDEPENDENT AUDITORS, “FOR” APPROVAL OF THE ARTICLES AMENDMENT INCREASING THE AUTHORIZED SHARES OF COMMON STOCK, “FOR” APPROVAL OF THE 2022 EQUITY INCENTIVE PLAN AND “FOR” APPROVAL OF THE ADJOURNMENT OF THE ANNUAL MEETING TO ONE OR MORE DATES TO SOLICIT ADDITIONAL VOTES IN FAVOR OF THE ARTICLES AMENDMENT AND/OR THE EQUITY INCENTIVE PLAN.

Person Making the Solicitation

This solicitation of proxies is being made by the Board of Directors of the Company. The expense of preparing, assembling, printing, and mailing this proxy statement and the material used in the solicitation of proxies for the meeting will be borne by the Company. Officers, directors, and employees of the Company and its wholly owned subsidiary, Avidbank (the “Bank”) may solicit proxies personally or by telephone, without receiving special compensation.

Although there is no formal agreement to do so, the Company may reimburse banks, brokerage houses, and other custodians, nominees, and fiduciaries for their reasonable expense in forwarding these proxy materials to their principals. In addition, the Company reserves the right to engage a proxy solicitor to solicit additional votes in favor of the proposals set forth herein at a cost not anticipated to exceed \$15,000.

Voting Rights

In connection with the election of directors, in accordance with California law, each shareholder entitled to vote may vote the shares owned by such shareholder as of the Record Date cumulatively if a shareholder present at the meeting has given notice at the meeting, prior to the voting, of his or her intention to vote cumulatively. If

any shareholder has given such notice, then all shareholders entitled to vote for the election of directors may cumulate their votes for candidates properly nominated. The return of an executed proxy card gives the Board of Directors and the proxy holders the authority to also cumulate votes. Under cumulative voting, each share carries as many votes as the number of directors to be elected, and the shareholder may cast all of such votes for a single nominee or may distribute them in any manner among as many nominees as desired. On all other matters submitted to the vote of the shareholders, each shareholder is entitled to one vote for each share of common stock owned on the books of the Company as of the Record Date.

In the election of directors, the nine (9) nominees receiving the highest number of votes will be elected. In connection with approval of the Articles Amendment and the 2022 Equity Incentive Plan, approval requires the affirmative vote of a majority of the Company's outstanding shares of common stock entitled to vote on such matters. In all other matters, the affirmative vote of a majority of the shares represented and voting at the Annual Meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders.

PROPOSAL 1: ELECTION OF DIRECTORS OF THE COMPANY

Directors and Nominees

At the meeting, nine (9) directors of the Company (the entire Board of Directors) are to be elected to serve until the next Annual Meeting of Shareholders and until their successors are elected and qualified. All of the nominees listed are currently members of the Board of Directors. The Bylaws of the Company provide for not fewer than seven (7) nor more than thirteen (13) directors. By resolution, the Board of Directors has fixed the number of directors at nine (9). The persons set forth under the heading "Nominees for Election as Directors" are nominated by the Corporate Governance and Nominating Committee and, unless the shareholder directs to withhold the vote, the proxy, if submitted and not subsequently revoked, will be voted in favor of their election as directors. If for any reason, any such nominee becomes unavailable for election, the proxy holders will vote for such substitute nominee as may be designated by the Board of Directors. The proxy holders, as directed by the Board of Directors, or if no direction given, in their own discretion, reserve the right to cumulate votes for the election of directors and to cast all of such votes for any one or more of the nominees to the exclusion of the others, and in such order of preference as the proxy holders may determine in their discretion if cumulative voting is invoked as described above under "Voting Rights".

Our Bylaws provide specific procedures for shareholders to nominate directors. The procedures include the following requirement:

Section 2.13(b) of the Bylaws of Avidbank Holdings, Inc.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the corporation. Nominations of persons for election to the board of directors of the corporation may be made at a meeting of shareholders at which directors are to be elected only (i) by or at the direction of the board of directors or (ii) by any shareholder of the corporation who (1) is a shareholder of record on the date such shareholder gives the notice provided for in this Section 2.13(b) and on the record date for the determination of shareholders entitled to vote at such meeting, and (2) complies with the notice procedures set forth in this Section 2.13(b). Such nominations, other than those made by or at the direction of the board of directors, shall be made by timely notice in writing to the secretary of the corporation. To be timely, a shareholder's notice shall be delivered or mailed to and received by the secretary of the corporation at the principal executive office of the corporation not less than 90 days nor more than 120 days prior to any such meeting; provided, however, that if less than 90 days' notice or prior public disclosure of the date of the meeting is given to shareholders, such written notice shall be delivered or mailed, as prescribed, to the secretary of the corporation not later than the tenth day following the day on which notice of the meeting was mailed to shareholders or such public disclosure was made.

A shareholder’s notice must be in writing and set forth (a) as to each person whom the shareholder proposes to nominate for election as a director, (i) all information relating to such person that would indicate such person’s qualification to serve on the board of directors of the corporation; (ii) such information relating to such person that is required to be disclosed in connection with solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor rule or regulation; and (iii) a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected; and (b) as to the shareholder giving the notice: (i) the name and address of such shareholder as they appear on the corporation’s books and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) the class or series and number of shares of capital stock of the corporation which are owned beneficially or of record by such shareholder and such beneficial owner; (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder; (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act or any successor rule or regulation. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the provisions of this Section 2.13(b). The chairperson of the meeting shall, if the facts so warrant, determine that a nomination was not made in accordance with such provisions and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Should you have any questions regarding these procedures or would like to receive a full copy of our Bylaws, you may do so by contacting the Company’s Chief Financial Officer, Patrick Oakes, at (408) 831-5653, by email at poakes@avidbank.com, or at the following address 1732 N 1st Street, 6th Floor, San Jose, CA 95112.

The following table sets forth the names of, and certain information as of the “Record Date” with respect to, the persons nominated by the Corporate Governance and Nominating Committee for election as directors, and is followed by brief summaries of the background and business experience of each nominee covering at least the last five years:

Nominees for Election as Directors

| Name | Age | Position with the Company ⁽¹⁾ | Year Elected or Appointed |
|---------------------|------------|---|----------------------------------|
| Mark D. Mordell | 62 | Chairman of the Board and CEO | 2006 |
| Kristofer W. Biorn | 57 | Director and Corporate Secretary | 2009 |
| Diane J. Flynn | 59 | Director | 2020 |
| Lisa B. Hendrickson | 70 | Director | 2006 |
| Bryan C. Polster | 69 | Lead Independent Director | 2007 |
| Roxy H. Rapp | 83 | Director | 2007 |
| Michael F. Rosinus | 63 | Director | 2014 |
| Robert H. Scott | 67 | Director | 2017 |
| Marc J. Verissimo | 66 | Director | 2017 |

(1) Each director of the Company also serves as a director of the Bank.

Background and Business Experience of Directors

The following is a brief description of the principal occupation and recent business experience of each of the Company’s directors and nominees for directors.

Mark D. Mordell, Chairman of the Board and Chief Executive Officer of the Bank and the Company. Mr. Mordell joined the board in January of 2006 and was appointed Chairman in February of 2007. He was named Chief Executive Officer in March of 2012 and brings over 30 years of financial services, real estate and diverse business experience to the Bank. In 1991 he founded California Bavarian Corporation and its successor company, CBC Properties, LLC, which was a full service real estate investment and management organization based in Palo Alto. Mr. Mordell also serves as an advisory board member to MMM Management, Inc., the strategic advisor to a family office based in San Francisco. Additionally, Mr. Mordell has served and serves in various community organizations including Stanford University, Peninsula Bridge, Sacred Heart Preparatory School and the Town of Portola Valley. Mr. Mordell received a B.A. in Economics from Stanford University where he played football for four years.

Kristofer W. Biorn, Board Member and Corporate Secretary. Mr. Biorn is an attorney with the Palo Alto law firm of Crist, Biorn, Shepherd & Roskoph, APC, the oldest law firm in Palo Alto. He specializes in litigation related to estates and trusts, and has extensive experience in estate planning and commercial real estate transactions. He has been honored as a “Super Lawyer” for Northern California and as one of “San Francisco’s Top Rated Lawyers.” Mr. Biorn was born and raised in Palo Alto. He graduated from Duke University and the University of California - Hastings, College of the Law. He has served on the Silicon Valley Bar Association Executive Committee and the Palo Alto Family YMCA Board of Directors.

Diane J. Flynn, Board member. Ms. Flynn is Cofounder and CEO of ReBoot Accel, designing inclusive work cultures. She consults with Fortune 500 companies, coaches executives, and facilitates workshops that support and promote women and underrepresented groups. Ms. Flynn co-authored a book "The Upside," presenting the business case for diverse workforces and best practices for tapping the potential of women. She facilitates workshops for alumni at Stanford Business School, and also serves as guest faculty at the Modern Elder Academy and 1440 Multiversity. She has been featured on The Today Show, NBC's Morning Joe, ABC News, NPR's The Takeaway, WSJ and Forbes, and also has the top-selling course at Udemy on Growth Mindset. Diane was previously Chief Marketing Officer of GSVlabs, VP Business Development at Electronic Arts, and an associate consultant at The Boston Consulting Group. She serves on the board at Resurge International, and MixR, and previously served on the Sacred Heart Schools and Santa Lucia Preserve Boards. She earned a BA in Economics from Stanford and an MBA from Harvard.

Lisa B. Hendrickson, Board member. Ms. Hendrickson was Capital Project Manager and former President and CEO of Avenidas, a Palo Alto based not-for-profit senior services agency. Previously she had twenty years of commercial banking experience culminating as Senior Vice President and Manager, Regional Commercial Banking, Wells Fargo Bank, Palo Alto. She has been involved with numerous not-for-profit agencies, and is a former director of the Friends of the Junior Museum and of Rebuild Hope. Ms. Hendrickson is currently a trustee of The Christensen Fund, a foundation that supports the Indigenous Peoples movement in its efforts to advance the rights and opportunities of stewards of bio-cultural diversity.

Bryan C. Polster, Lead Independent Director. Mr. Polster has more than 40 years of experience in the public accounting profession and is the past Chairman of the Board of Partners of Frank, Rimerman + Co. LLP. He is a Certified Public Accountant and has served on several committees of the American Institute of Certified Public accountants. He is a member of the California Society of Certified Public Accountants and previously served on its Board of Directors. Mr. Polster also serves on the Boards of Camico Mutual Insurance Company, The Sobrato Organization, The Sobrato Family Foundation and Cristo Rey San Jose Jesuit High School.

Roxy H. Rapp, Board member. Mr. Rapp is a native of Palo Alto. He has extensive retail experience and owns an innovative real estate development company. He is also active and involved in the community, having served on the Board of Trustees of Menlo College and on many civic boards including the Palo Alto Junior Museum & Zoo, the Museum of American Heritage and the Palo Alto Chamber of Commerce. Mr. Rapp is one of the founding board members of the Palo Alto Trees for El Camino Real.

Michael F. Rosinus, Board Member. Mr. Rosinus is a private investor focusing on investments in community banks, other financial services companies, and a consumer packaged goods company. He is the CEO and principal shareholder of GoHydrate Inc., a rapidly growing manufacturer and distributor of GoHydrate, an electrolyte drink mix, and a rising challenger brand in the functional beverage industry. Mr. Rosinus has a long history of serving on various bank boards of directors throughout the country. He previously served as a Director of Bridgeview Bancorp, Inc. and Bridgeview Bank Group, Cordia Bancorp and Bank of Virginia, Home Bancorp Inc. and Homebanc, NewDominion Bank, and Highlands Bankshares, Inc. and Highlands Union Bank. Prior to his investment activities, Mr. Rosinus was employed in the banking industry for 18 years, serving as the Chief Lending Officer for M&T Bank in New York City and subsequently the Chief Executive Officer of the Commercial Bank for Citibank in Chicago. He received his BA from Hamilton College and MBA from the Stern School of Business, New York University.

Robert H. Scott, Board Member. Mr. Scott is a 30-year network security industry veteran who was named by Ernst & Young as its Entrepreneur of the Year in 2002. Mr. Scott is currently the Chief Strategy Officer of Silversky, Inc., a provider of cyber-security as a managed services model that helps organizations address their modern and ever-changing risk with a solution that makes powerful, enterprise-grade cybersecurity simple, affordable and accessible. Previously, he served as the CEO of Cygilant, Inc., a provider of cyber-security as a service that helps organizations hunt, detect, and respond quickly to threats, Bradford Networks, a network security company acquired by Fortinet, and Clique Intelligence, a software platform for data sharing and collaboration technologies. He also served as Vice President of Worldwide Sales and Marketing at HP ProCurve Networking, the world's fastest-growing networking company. He joined HP through its 2008 acquisition of Colubris Networks, where he had served as president and CEO, helping the company ascend to prominence in the wireless LAN industry.

Marc J. Verissimo, Board Member. Mr. Verissimo has over 38 years of banking experience, primarily in senior positions. After stints at Bank of America and First Interstate Bank, he founded and was the head of Technology Banking at Comerica Bank. In 1993 he joined Silicon Valley Bank. Over the next 23 years, Mr. Verissimo served on SVB's executive committee and worked in multiple roles including head of California Banking, interim Chief Financial Officer twice, Chief Strategy Officer and his last role as Chief Risk Officer. In these positions he led the California Banking team that comprised the majority of the bank's revenues, oversaw the bank's overseas expansion into the United Kingdom, China, Israel, and India, IT, HR, legal, and led credit, enterprise risk management, cyber security, compliance, credit review, and regulatory relations among other responsibilities. Mr. Verissimo serves on the board of Pollen VC, a private equity backed FinTech company, and Lighter Capital, a venture capital backed FinTech company revolutionizing the business of startup financing by providing growth capital to companies across the United States. He received his BS from the University of California, Davis and MBA from Harvard Business School.

Board Committees

In addition to meeting as a group, the directors have established the following committees to review and supervise various aspects of the Company's and/or Bank's operations:

- (1) **Loan Committee** (Chair, Ms. Hendrickson) which is responsible for establishing loan policies and procedures and reviewing aspects of the loan portfolio. Current Committee Members include: K. Biorn, M. Mordell, R. Rapp, R. Scott and M. Verissimo.
- (2) **Investment and Asset-Liability Committee** (Chair, Mr. Verissimo) which establishes investment policies, liquidity strategies and reviews the Bank's annual budget and capital plans. Current Committee Members include: K. Biorn, M. Mordell, B. Polster and M. Rosinus.
- (3) **Community Reinvestment Act Committee** (Chair, Mr. Rapp) which establishes the Bank's plans and policies to help meet the credit needs of the communities the Bank serves. Current Committee Members include: D. Flynn and M. Mordell.

(4) **Audit Committee** (Chair, Mr. Polster) which is comprised entirely of nonemployee directors and meets at least quarterly. It is directly responsible for the appointment, compensation and oversight of the work of the independent auditors, coordinates internal and external audit activities and reviews the report of the independent auditors. The Committee also monitors the Company's compliance with federal and state regulations. Current Committee Members include: K. Biorn, L. Hendrickson, R. Rapp, M. Rosinus, R. Scott and M. Verissimo.

(5) **Personnel and Compensation Committee** (Chair, Mr. Polster) which is comprised entirely of nonemployee directors and is responsible for the evaluation of the Chief Executive Officer, review of the performance of executive personnel, the development of personnel, compensation and benefit policies, and the administration of the Company's Equity Incentive Plans. Current Committee Members include: K. Biorn, D. Flynn, L. Hendrickson, M. Rosinus and R. Scott.

(6) **Corporate Governance and Nominating Committee** (Chair, Mr. Biorn) The Corporate Governance and Nominating Committee meets annually and its functions are to nominate persons for the Company's Board of Directors. The Committee reviews the involvement and contributions of the existing Board members in determining whether to nominate such persons for election to the Board for the succeeding year. The Committee will consider suggestions or recommendations for board membership received from shareholders. Shareholders who wish to make such suggestions or recommendations for Board members should forward their written suggestions and outline of their candidates' qualifications to the Corporate Governance and Nominating Committee addressed to the main office of the Company at 1732 N 1st Street, 6th Floor, San Jose, California 95112. The standards and qualifications to be considered for Board membership include local community involvement, sound reputation, and business or educational experience beneficial to the Company. If a shareholder wishes to nominate a director directly, such shareholder must follow the procedures set forth in the Company's Bylaws which are reproduced in this proxy statement. Current Corporate Governance and Nominating Committee Members include: D. Flynn, R. Rapp, R. Scott and M. Verissimo.

There were 12 meetings of the Board of Directors of the Company and the Bank during 2021. Every director standing for reelection to the Board attended at least 75% of total Company Board meetings and meetings held by all committees of the board on which he or she served.

Board Governance

Mr. Mordell has served as Chairman of the Board of the Company and Avidbank since February 5, 2007. Following the appointment of Mr. Mordell as Chief Executive Officer in March 2012, the Board determined that it was in the best interests of the Company and its shareholders to appoint Mr. Polster as lead independent director. In such capacity, Mr. Polster has the following responsibilities, among others:

- Preside at all meetings of the independent directors and any Board meeting when the Chairman is not present;
- Respond directly to shareholder and other stakeholder questions and comments directed to the lead independent director or to the independent directors as a group;
- Serve as the principal liaison between the independent directors and the Chairman and CEO;
- Provide feedback from executive sessions of the independent directors to the Chairman and CEO and other senior management; and
- Serve a key role in the Board evaluation process and in evaluation of the Chairman and CEO.

The independent directors met 12 times during 2021.

Executive Officers

The executive officers of the Company and the Bank are: Chief Executive Officer, Mark D. Mordell; Executive Vice President and Chief Operating Officer, Gina Thoma-Peterson; Executive Vice President and Chief Credit Officer, Geoffrey E. Butner; Executive Vice President and Chief Financial Officer, Patrick Oakes; and Executive Vice President and Chief Banking Officer, Dorothy K. Hamilton. Mr. Steven Leen retired from his role as Executive Vice President and Chief Financial Officer in March, 2022. Information regarding the current executive officers who do not also serve as directors is as follows:

Gina Thoma-Peterson (58) joined the Bank and the Company as Executive Vice President and Chief Operating Officer on September 3, 2019. She came to Avidbank after eight years at MUFG Union Bank where she held senior positions in risk and issues management. Prior to that, Ms. Peterson held senior positions at PricewaterhouseCoopers (PwC), with expertise in process, systems, and controls assurance. She also spent time in bank supervision and regulatory compliance at the Office of the Comptroller of the Currency (OCC).

Geoffrey E. Butner (58) joined the Bank and the Company as Senior Vice President and Deputy Chief Credit Officer on November 28, 2016. He became Executive Vice President and Chief Credit Officer of the Bank and the Company on November 28, 2018. He most recently served as a Risk Manager at Square 1 Bank for eight years, and previously as a Senior Credit Officer at Silicon Valley Bank from 2002 to 2007.

Patrick Oakes (53) joined the Bank and the Company as Executive Vice President and Chief Financial Officer on March 7, 2022. He came to Avidbank from Atlantic Capital Bank where he served as Executive Vice President, Chief Financial Officer and Secretary from 2015 to 2022. Prior to Atlantic Capital, he served as Executive Vice President and Chief Financial Officer of Square 1 Financial, Inc., between 2012 and 2015.

Dorothy K. Hamilton (59) joined the Bank and the Company as Executive Vice President in Corporate Banking on April 23, 2012. She became Chief Banking Officer on September 5, 2013. From 2005 to 2012, She held management positions at Bridge Bank, most recently as Senior Vice President in Corporate Banking. Prior to that, she held various management positions at Comerica Bank for eight years.

Security Ownership of Directors and Management and Principal Shareholders

The following table sets forth, as of the Record Date, the Company's common and restricted stock and options which have vested or vest within sixty (60) days of the Record Date and which may be deemed to be beneficially owned by (i) each of the directors, (ii) each of our executive officers, and (iii) those entities known to own more than 5% of the Company's common stock. For purposes of the table, "beneficial ownership" includes shares which an individual has or shares voting or investment power, whether by contract, relationship, or otherwise.

| Name | Shares Owned (#) (A) | Unvested Restricted Stock (#) (B) | Total Shares (#) | Percent Shares Owned including Unvested Restricted Stock (%) |
|---|-------------------------|--------------------------------------|------------------|--|
| Mark D. Mordell | 120,068 | 22,460 | 142,528 | 2.26% |
| Kristofer W. Biorn | 50,765 | 1,000 | 51,765 | 0.82% |
| Diane J. Flynn | 3,045 | 1,000 | 4,045 | 0.06% |
| Lisa B. Hendrickson | 36,010 | 1,000 | 37,010 | 0.59% |
| Bryan C. Polster | 158,353 | 1,000 | 159,353 | 2.52% |
| Roxy H. Rapp | 105,599 | 1,000 | 106,599 | 1.69% |
| Michael F. Rosinus (C) | 210,080 | 1,000 | 211,080 | 3.34% |
| Robert H. Scott | 5,264 | 1,000 | 6,264 | 0.10% |
| Marc J. Verissimo | 5,000 | 1,000 | 6,000 | 0.09% |
| Geoffrey E. Butner | 13,582 | 7,660 | 21,242 | 0.34% |
| Dorothy K. Hamilton | 40,183 | 8,260 | 48,443 | 0.77% |
| Patrick Oakes | – | 14,500 | 14,500 | 0.23% |
| Gina Thoma-Peterson | – | 17,010 | 17,010 | 0.27% |
| Total directors and executive officers | 747,949 | 77,890 | 825,839 | 13.07% |
| Over 5% Shareholders | | | | |
| The BancFunds Co. LLC | 457,725 | – | 457,725 | 7.25% |
| Endeavour Capital | 567,191 | – | 567,191 | 8.98% |
| Patriot Financial Partners, L.P. | 699,848 | – | 699,848 | 11.08% |

(A) Includes all shares owned, whether directly or indirectly, individually or together with associates.

(B) Includes all shares granted of unvested restricted stock.

(C) The 200,000 shares reflected in the "shares owned" column are held directly by PTMR Capital Partners LP. In addition to PTMR Capital Partners LP, PTMR GP, LLC, TRF Partners LLC and Michael F. Rosinus may be deemed to have beneficial ownership of the shares; however, each of them disclaims beneficial ownership thereof, except to the extent of any pecuniary interest therein.

The BancFunds Company LLC is located at 20 North Wacker Drive, Suite 3300, Chicago, IL 60606.

Endeavour Capital is located at 410 Greenwich Avenue, Greenwich, CT 06830

The address of Patriot Financial Partners, L.P. is 2929 Arch Street, 27th Floor, Philadelphia, PA 19104.

Executive Officer Compensation and Other Transactions with Management

Compensation for the last three years for our Chief Executive Officer and our three most highly compensated executive officers (together with our Chief Executive Officer, our “Named Executive Officers”) of the Company (and the Bank) as of December 31, 2021 is shown in the following summary compensation table:

| Name and Position | Year | Salary | Cash Bonus | Equity Awards (1) | Other (2) | Total Compensation |
|--|------|------------|------------|-------------------|-----------|--------------------|
| Mark D. Mordell Chairman and Chief Executive Officer | 2021 | \$ 420,000 | \$ 426,300 | \$ 245,160 | \$ 36,259 | \$ 1,127,719 |
| | 2020 | 420,000 | 258,349 | 153,240 | 36,722 | 868,311 |
| | 2019 | 367,500 | 283,978 | 100,440 | 33,595 | 785,513 |
| Geoffrey E. Butner Executive Vice President and Chief Credit Officer | 2021 | \$ 270,000 | \$ 176,175 | \$ 95,130 | \$ 13,180 | \$ 554,485 |
| | 2020 | 245,000 | 72,661 | 49,010 | 13,229 | 379,900 |
| | 2019 | 245,000 | 75,208 | 25,296 | 12,657 | 358,161 |
| Dorothy K. Hamilton Executive Vice President and Chief Banking Officer | 2021 | \$ 260,000 | \$ 166,449 | \$ 94,289 | \$ 10,467 | \$ 531,205 |
| | 2020 | 260,000 | 78,845 | 52,582 | 10,389 | 401,816 |
| | 2019 | 260,000 | 116,505 | 35,712 | 10,252 | 422,469 |
| Gina Thoma-Peterson Executive Vice President Chief Operating Officer | 2021 | \$ 260,000 | \$ 127,238 | \$ 81,131 | \$ 7,800 | \$ 476,169 |
| | 2020 | 260,000 | 77,109 | 51,862 | 7,800 | 396,771 |
| | 2019 | 84,833 | 59,906 | 251,256 | 2,545 | 398,540 |

- (1) Pursuant to SEC regulations regarding the valuation of equity awards, each amount under Equity Awards represents the applicable full grant date fair values of the restricted stock award or stock option award, as applicable, in accordance with FASB ASC Topic 718, excluding the effect for forfeitures.
- (2) Includes Company match for the 401(k) Plan of \$13,000, \$7,180, \$4,971 and \$7,800 for Mr. Mordell, Mr. Butner, Ms. Hamilton, and Ms. Peterson, respectively. Also includes an auto allowance of \$14,244 for Mr. Mordell and \$9,015 medical benefit reimbursement costs for Mr. Mordell.

Employment Arrangements with Executive Officers

The Company engaged Mark D. Mordell as its Chief Executive Officer and entered into an employment agreement with him effective March 1, 2012. He receives an annually adjusted base salary, an annual bonus payable at the discretion of the Board of Directors, and participation rights in any formalized bonus and incentive plans developed by the Personnel and Compensation Committee and subsequently approved by the Board of Directors. He also receives an auto allowance of \$14,244 per year. Mr. Mordell’s current annualized base salary is \$500,000. In addition, Mr. Mordell is eligible to receive stock-based awards in accordance with our equity incentive plans as approved by the Personnel and Compensation Committee of the Board of Directors. Awards under our equity incentive plans may be in the form of, but not limited to, the following; stock options, restricted stock or units, performance based shares or units, and other stock-based awards. Mr. Mordell receives coverage under the Company’s group medical, dental, life and disability insurance and other benefits paid or provided by the Company to its employees generally.

Mr. Mordell’s employment with the Company may be terminated at any time, with or without cause, and his employment agreement provides that upon termination of his employment, besides by death, disability or for “cause”, Mr. Mordell is entitled to a severance payment of one year’s annual salary plus health benefits. If Mr. Mordell terminates his employment following his involuntary termination as Chairman of the Board of the Company or Avidbank, he is entitled to the same one year’s annual salary plus health benefits. If Mr. Mordell is

terminated following a change in control or resigns for “good reason” following a change in control, he is entitled to two year’s annual salary plus health benefits.

The Company employs Geoffrey E. Butner as Executive Vice President and Chief Credit Officer. Mr. Butner received an annually adjusted base salary, an annual bonus payable at the discretion of the Board of Directors, and participation rights in any formalized bonus and incentive plans developed by the Personnel and Compensation Committee and subsequently approved by the Board of Directors. Mr. Butner’s current annual salary is \$270,000. Mr. Butner is eligible to receive stock-based awards in accordance with our equity incentive plans as approved by the Personnel and Compensation Committee of the Board of Directors. Mr. Butner receives coverage under the Company’s group medical, dental, life and disability insurance and also receives other benefits paid or provided by the Company to its employees generally. Mr. Butner’s employment with the Company may be terminated at any time, with or without cause. In the event of termination without cause, Mr. Butner will be entitled to receive a severance payment equal to 6 months base salary plus health benefits. In the event of termination of Mr. Butner following a change of control or if her resigns for “good reason” following a change in control, he will be entitled to receive a severance payment equal to his annual base salary, plus health benefits.

The Company employs Gina Thoma-Peterson as its Executive Vice President and Chief Operating Officer. Ms. Thoma-Peterson receives an annually adjusted base salary, an annual bonus payable at the discretion of the Board of Directors, and participation rights in any formalized bonus and incentive plans developed by the Personnel and Compensation Committee and subsequently approved by the Board of Directors. Ms. Thoma-Peterson’s current annual salary is \$310,000. Ms. Thoma-Peterson is eligible to receive stock-based awards in accordance with our equity incentive plans as approved by the Personnel and Compensation Committee of the Board of Directors. Ms. Thoma-Peterson receives coverage under the Company’s group medical, dental, life and disability insurance and also receives other benefits paid or provided by the Company to its employees generally. Ms. Thoma-Peterson’s employment with the Company may be terminated at any time, with or without cause. In the event of termination without cause, Ms. Thoma-Peterson will be entitled to receive a severance payment equal to 6 months base salary plus health benefits. In the event of the termination of Ms. Thoma-Peterson following a change of control or if she resigns for “good reason” following a change in control, she will be entitled to receive a severance payment equal to her annual base salary, plus health benefits.

The Company employs Dorothy K. Hamilton as its Executive Vice President and Chief Operating Officer. Ms. Hamilton receives an annually adjusted base salary, an annual bonus payable at the discretion of the Board of Directors, and participation rights in any formalized bonus and incentive plans developed by the Personnel and Compensation Committee and subsequently approved by the Board of Directors. Ms. Hamilton’s current annual salary is \$299,000. Ms. Hamilton is eligible to receive stock-based awards in accordance with our equity incentive plans as approved by the Personnel and Compensation Committee of the Board of Directors. Ms. Hamilton receives coverage under the Company’s group medical, dental, life and disability insurance and also receives other benefits paid or provided by the Company to its employees generally. Ms. Hamilton’s employment with the Company may be terminated at any time, with or without cause. In the event of termination without cause, Ms. Hamilton will be entitled to receive a severance payment equal to 6 months base salary plus health benefits. In the event of the termination of Ms. Hamilton following a change of control or if she resigns for “good reason” following a change in control, she will be entitled to receive a severance payment equal to her annual base salary, plus health benefits.

The Company employs Patrick Oakes as its Executive Vice President and Chief Financial Officer. Mr. Oakes at-will employment offer letter provides that Mr. Oakes receives an annual base salary of \$340,000, a signing bonus of \$100,000, a target bonus at the discretion of the Board of Directors of between \$221,000 and \$331,000, comprised of a 75% cash award and 25% restricted stock award, an annual retention grant of between \$34,000 and \$51,000, an initial grant of 14,500 shares of restricted stock which vest 3 years from the date of grant. Mr. Oakes receives coverage under the Company’s group medical, dental, life and disability insurance and also receives other benefits paid or provided by the Company to its employees generally.

Option Exercises and Restricted Stock Vested

The following table lists restricted stock vested during the year-ended December 31, 2021 for each of our Named Executive Officers. None of our Named Executive Officers exercised any stock options during the year-ended December 31, 2021.

| Name | Restricted Stock Awards | |
|---------------------|--|------------------------------------|
| | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) (1) |
| Mark D. Mordell | 4,935 | \$ 99,750 |
| Geoffrey E. Butner | 1,370 | \$ 28,496 |
| Dorothy K. Hamilton | 2,390 | \$ 49,712 |

(1) Represents the product of the number of shares acquired on vesting and the closing price of our common stock on the vesting date.

Director Compensation

We use a combination of cash and stock-based compensation to attract and retain qualified individuals to serve as directors. Only non-employee directors are entitled to receive monthly cash compensation for serving on our Board of Directors. Each director receives \$3,125 to \$4,375 per month for an annualized total of \$37,500 to \$52,500. In addition, our directors are eligible to receive equity-based compensation awards.

The following table summarizes the compensation earned or paid to our non-employee directors during 2021. Mark D. Mordell, our Chairman and Chief Executive Officer, is our sole non-employee director and receives no compensation for serving on the Board. Kenneth D. Brenner, formerly our Head of Strategic Relationships prior to his retirement on December 31, 2021, started receiving a monthly fee for serving as a non-employee director beginning in January 2021 through the date of his retirement from the Board on December 31, 2021.

Non-Employee Director Compensation in 2021

| Name | Fees Earned or Paid in Cash (\$) (1) | Restricted Stock Awards (\$) (2) | All Other Comp. (\$) (3) | Total (\$) |
|-----------------------|--------------------------------------|----------------------------------|--------------------------|------------|
| Kristofer W. Biorn | \$ 45,000 | \$ 23,300 | \$ — | \$ 68,300 |
| Kenneth D. Brenner(a) | 37,500 | 23,300 | — | 60,800 |
| Diane J. Flynn | 37,500 | 23,300 | — | 60,800 |
| Lisa B. Hendrickson | 45,000 | 23,300 | — | 68,300 |
| Bryan C. Polster | 52,500 | 23,300 | — | 75,800 |
| Roxy H. Rapp | 40,000 | 23,300 | — | 63,300 |
| Michael F. Rosinus | 42,500 | 23,300 | — | 65,800 |
| Robert H. Scott | 42,500 | 23,300 | — | 65,800 |
| Marc J. Verissimo | 45,000 | 23,300 | — | 68,300 |

(a) Mr. Brenner retired from the Board of Directors on December 31, 2021.

(1) Non-employee directors are paid a monthly fee based upon committee chairmanships and memberships held.

(2) Pursuant to SEC regulations regarding the valuation of equity awards, each amount under Restricted Stock Awards and Stock Options Awards represents the applicable full grant date fair values of the restricted stock award or stock option award, as applicable, in accordance with FASB ASC Topic 718, excluding the effect for forfeitures.

(3) Non-employee directors receive no additional compensation other than director fees and equity awards.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2021 regarding securities issued and remaining to be issued under our equity compensation plans that were in effect during 2021. See also Proposal 4 for a discussion of our 2022 Equity Incentive Plan.

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans Excluding Securities Reflected in Column (a) |
|---|--|--|--|
| Equity compensation plans approved by security holders | — | \$ — | 89,162 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | — | \$ — | 89,162 |

Outstanding Equity Awards

Our Amended and Restated 2013 Equity Incentive Plan was originally adopted by the Board of Directors and approved by the Company's shareholders in 2013 and amended and restated in 2018. Restricted stock grants vest after a period ranging from one to three years from the date of the grant. The table below sets forth certain information regarding unvested restricted stock grants outstanding as of December 31, 2021 under our Amended and Restated 2013 Equity Incentive Plan granted to directors and our Named Executive Officers of the Company:

| Name | Current Grant Date | Number of Unvested Shares (#) | Market Value of Shares That Have Not Yet Vested | Vesting Date |
|---------------------|--------------------|-------------------------------|---|--------------|
| Mark D. Mordell | 02/19/19 | 9,180 | \$ 230,418 | 02/19/22 |
| | 02/18/20 | 4,050 | \$ 101,655 | 02/18/23 |
| | 12/11/20 | 2,400 | \$ 60,240 | 12/11/23 |
| | 02/16/21 | 6,160 | \$ 154,616 | 02/16/24 |
| | 09/21/21 | 2,760 | \$ 69,276 | 09/21/24 |
| Kristofer W. Biorn | 05/18/21 | 1,000 | \$ 25,100 | 05/18/22 |
| Diane J. Flynn | 05/18/21 | 1,000 | \$ 25,100 | 05/18/22 |
| Lisa B. Hendrickson | 05/18/21 | 1,000 | \$ 25,100 | 05/18/22 |
| Bryan C. Polster | 05/18/21 | 1,000 | \$ 25,100 | 05/18/22 |
| Roxy H. Rapp | 05/18/21 | 1,000 | \$ 25,100 | 05/18/22 |
| Michael F. Rosinus | 05/18/21 | 1,000 | \$ 25,100 | 05/18/22 |
| Robert H. Scott | 05/18/21 | 1,000 | \$ 25,100 | 05/18/22 |
| Marc J. Verissimo | 05/18/21 | 1,000 | \$ 25,100 | 05/18/22 |
| Geoffrey Butner | 02/19/19 | 2,480 | \$ 62,248 | 02/19/22 |
| | 02/18/20 | 1,020 | \$ 25,602 | 02/18/23 |
| | 12/11/20 | 1,400 | \$ 35,140 | 12/11/23 |
| | 02/16/21 | 1,350 | \$ 33,885 | 02/16/24 |
| | 09/21/21 | 1,610 | \$ 40,411 | 09/21/24 |
| Dori Hamilton | 02/19/19 | 3,520 | \$ 88,352 | 02/19/22 |
| | 02/18/20 | 1,440 | \$ 36,144 | 02/18/23 |
| | 12/11/20 | 1,480 | \$ 37,148 | 12/11/23 |
| | 02/16/21 | 1,470 | \$ 36,897 | 02/16/24 |
| | 09/21/21 | 1,710 | \$ 42,921 | 09/21/24 |
| Gina Thoma-Peterson | 09/17/19 | 10,200 | \$ 256,020 | 09/17/22 |
| | 02/18/20 | 540 | \$ 13,554 | 02/18/23 |
| | 12/11/20 | 1,480 | \$ 37,148 | 12/11/23 |
| | 02/16/21 | 1,430 | \$ 35,893 | 02/16/24 |
| | 09/21/21 | 1,710 | \$ 42,921 | 09/21/24 |
| Total | | 65,390 | \$ 1,641,289 | |

(1) Market value of shares that have not yet vested was determined by multiplying the number of unvested shares by the closing price of the Company's common stock on December 31, 2021 which was \$25.10.

401(k) Plan

In 2003, the Board of Directors approved the Bank's 401(k) Plan. An employee becomes a participant in the plan as of the first day of employment or on the day he or she turns 21 years old. A participant may elect to defer a portion of his/her salary, not to exceed limitations set by the IRS, into the plan. As determined by the Board of Directors, the Bank may make discretionary matching and/or profit sharing contributions to the plan. In 2021, the Bank made matching contributions to the plan of \$450,000. Distributions from the plan are not permitted before age 59 1/2 except in the event of death, termination of employment or proven financial hardship.

Certain Relationships and Related Transactions

There are no existing or proposed material transactions between the Company and any of its officers or directors or greater than 5% shareholders outside the ordinary course of the Company's business. Some of our directors and executive officers and associates of them were customers of, and had loans and commitments with Avidbank in the ordinary course of its business during 2021, and we expect such transactions will continue in the future. All of these loans and commitments were made on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with other persons of similar creditworthiness who were not related to Avidbank. In our opinion, these transactions do not involve more than a normal risk of collectability or present other unfavorable features. It is the policy of the Company that the Board of Directors pre-approve all loans to directors, executive officers or principal shareholders.

There was no director or executive officer indebtedness to the Bank or the Company for any month end during the period from January 1, 2021 through December 31, 2021. There was no director indebtedness outstanding as of the Record Date.

Potential Payments upon Termination or Change in Control

The following table reflects the amounts that would be paid to our Named Executive Officers in the event termination had occurred on December 31, 2021 for the events described below.

| Participant and Plan Category | Cash Severance Arrangements/ Compensation(\$) | Acceleration of Unvested Options and Stock Awards (\$)(1) | Total Termination Benefits (\$) |
|--|---|---|---------------------------------|
| <u>Mark D. Mordell</u> | | | |
| Voluntary Termination or Retirement | \$ – | \$ – | \$ – |
| Involuntary Termination (other than For Cause) (2) | \$ 454,002 | \$ – | \$ 454,002 |
| Involuntary Termination (For Cause) | \$ – | \$ – | \$ – |
| Termination in Connection with Change in Control (3) | \$ 908,005 | \$ 616,205 | \$ 1,524,210 |
| Death | \$ – | \$ – | \$ – |
| Disability (4) | \$ 100,380 | \$ – | \$ 100,380 |
| <u>Geoffrey E. Butner</u> | | | |
| Voluntary Termination or Retirement | \$ – | \$ – | \$ – |
| Involuntary Termination (other than For Cause) (5) | \$ 161,019 | \$ – | \$ 161,019 |
| Involuntary Termination (For Cause) | \$ – | \$ – | \$ – |
| Termination in Connection with Change in Control (2) | \$ 322,037 | \$ 197,286 | \$ 519,323 |
| Death | \$ – | \$ – | \$ – |
| Disability (4) | \$ 62,880 | \$ – | \$ 62,880 |
| <u>Dorothy K. Hamilton</u> | | | |
| Voluntary Termination or Retirement | \$ – | \$ – | \$ – |
| Involuntary Termination (other than For Cause) (5) | \$ 146,134 | \$ – | \$ 146,134 |
| Involuntary Termination (For Cause) | \$ – | \$ – | \$ – |
| Termination in Connection with Change in Control (2) | \$ 292,267 | \$ 241,462 | \$ 533,729 |
| Death | \$ – | \$ – | \$ – |
| Disability (4) | \$ 60,380 | \$ – | \$ 60,380 |
| <u>Gina Thoma-Peterson</u> | | | |
| Voluntary Termination or Retirement | \$ – | \$ – | \$ – |
| Involuntary Termination (other than For Cause) (5) | \$ 137,307 | \$ – | \$ 137,307 |
| Involuntary Termination (For Cause) | \$ – | \$ – | \$ – |
| Termination in Connection with Change in Control (2) | \$ 274,615 | \$ 385,536 | \$ 660,151 |
| Death | \$ – | \$ – | \$ – |
| Disability (4) | \$ 60,380 | \$ – | \$ 60,380 |

- (1) There are no unvested stock options among the Named Executive Officers. Unvested restricted stock awards at December 31, 2021 are paid out upon change of control at the closing stock price on that date times the number of unvested shares outstanding.
- (2) Amount represents twelve (12) months of base salary and health insurance costs under COBRA.
- (3) Amount represents twenty-four (24) months of base salary and health insurance costs under COBRA.
- (4) Amount represents the difference between three (3) months of base salary and anticipated disability insurance payments.
- (5) Amount represents six (6) months of base salary and health insurance costs under COBRA.

**PROPOSAL 2:
RATIFICATION OF APPOINTMENT OF AUDITORS**

The Audit Committee has selected Crowe LLP to serve as the Company’s Independent Auditors for the year ended December 31, 2022 and such selection has been approved by resolution of the Board of Directors. Crowe LLP has informed the Company it has had no connection with the Company in the capacity of promoter, underwriter, voting trustee, director, officer or employee and the Company had no disagreements with its accountants with respect to accounting principles, practices or financial statement disclosure. The shareholders are asked to ratify the selection of Crowe LLP. The Audit Committee in its discretion may change the appointment at any time during the year if it determines that such change would be in the best interests of the Company and its shareholders even if the shareholders ratify the selection. If the shareholders do not ratify the selection, the Audit Committee will reconsider the appointment. A representative from Crowe LLP will be present at the shareholders’ meeting and will be available to respond to questions.

It is the policy of the Audit Committee that all engagements for auditing and tax accounting services be pre-approved by the Audit Committee. The pre-approval includes a review of the services to be undertaken and the estimated fees to be incurred. During the 2021 and 2020 fiscal years, the Audit Committee pre-approved 100% of all professional services rendered by Crowe LLP.

Audit Firm Fee Summary

The table below summarizes the services rendered to the Company by Crowe LLP in 2020 and 2021.

| Category of Service | 2020 | 2021 |
|------------------------|-------------------|-------------------|
| Audit Fees (1) | \$ 294,925 | \$ 529,144 |
| Audit-Related Fees (2) | \$ 3,350 | \$ 3,600 |
| Tax Fees (3) | \$ 69,530 | \$ 57,933 |
| All Other Fees (4) | \$ — | \$ — |
| Total Fees | \$ 367,805 | \$ 590,677 |

- (1) Audit fees consisted of services for the audit of the consolidated financial statements included in the Company’s Annual Report to Shareholders for the years ended December 31, 2021 and 2020 and quarterly review services for the first three quarters of 2021 and 2020. Audit fees increased substantially in 2021 as a result of including audits in accordance with both Generally Accepted Accounting Standards and the standards of the Public Company Accounting Oversight Board for the year ended December 31, 2021.
- (2) Audit-related fees consisted of review of certain press release documents as requested by management and general accounting research performed in conjunction with the annual audit of the consolidated financial statements for the years ended December 31, 2021 and 2020.
- (3) Tax fees consisted primarily of assistance relating to tax compliance, tax advice, tax planning and related tax services for years ended 2021 and 2020.
- (4) All other fees consisted of fees for services that do not fit in the categories identified above.

Audit Committee Information

The Audit Committee members do not function as professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent accountants. In performing its functions, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company’s management, which has the primary responsibility for maintaining proper internal control, financial statements and reports, and of the independent accountants, who, in their report, express an opinion on the Company’s annual consolidated financial statements regarding their conformity, in all material respects, with accounting principles generally accepted in the United States. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management the audited financial statements included in the Annual Report for the fiscal year ended December 31, 2021.

The Audit Committee has discussed all required matters with the independent auditors, received and reviewed the required written letter and disclosures in accordance with Statements on Auditing Standards No. 114, “The Auditor’s Communications with Those Charged with Governance,” and discussed with the auditors the auditors’ independence. Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors the financial statements be accepted for the year ended December 31, 2021.

The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available to any shareholder by a written request to the Corporate Secretary.

Required Vote

This proposal to ratify our auditors requires the affirmative vote of a majority of the shares of our Common Stock represented and voting at the Annual Meeting (which shares voting affirmatively also constitute a majority of the required quorum).

**PROPOSAL 3:
APPROVAL OF AMENDMENT TO OUR ARTICLES OF INCORPORATION TO INCREASE THE
NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 10,000,000 SHARES TO
15,000,000 SHARES.**

General

The board of directors has approved an amendment to our Articles of Incorporation (the “Articles Amendment”) to increase the authorized number of shares of Common Stock from ten million (10,000,000) shares to fifteen million (15,000,000) shares, subject to approval of the amendment by shareholders, and is hereby soliciting shareholder approval for the Articles Amendment. No change is being proposed to the authorized number of shares of our preferred stock, which will remain at 5,000,000 shares.

Under the existing provisions of our Articles of Incorporation, the Company currently has authority to issue 10,000,000 shares of Common Stock of which 6,316,573 shares of Common Stock were issued and outstanding at the close of business on the Record Date. In addition, as of the Record Date, there were an additional 29,271 shares reserved for future issuance under our 2013 Equity Incentive Plan and our 2008 Stock Option Plan to accommodate future grants of equity and currently outstanding stock options. We are also proposing to set aside an additional 600,000 shares for future issuance under our 2022 Equity Incentive Plan. See Proposal “4” herein. There were no shares of our preferred stock outstanding as of the close of business on the Record Date.

The proposed increase in the authorized shares of Common Stock would become effective immediately upon the filing of the amendment to our Articles of Incorporation with the office of the Secretary of State of California. We expect to file the amendment promptly upon approval of our shareholders.

This proposal would amend subsection (a) of Article IV of the Company’s Articles of Incorporation to read substantially in its entirety as follows (subject to any modifications required by the California Secretary of State):

This corporation is authorized to issue two classes of shares to be designated respectively Common Stock (“Common Stock”) and Preferred Stock (“Preferred Stock”). The total number of shares of Common Stock this corporation shall have authority to issue is fifteen million (15,000,000) with no par value per share. The total number of shares of Preferred Stock this corporation shall have authority to issue is five million (5,000,000), with no par value per share.

Reasons for Proposed Articles Amendment

Following the review of our strategic objectives and capital planning profile, our Board of Directors has determined that there are not a sufficient number of authorized shares of Common Stock to provide us with flexibility to execute our business plan. The Articles Amendment would provide us with that flexibility by increasing the authorized number of shares of Common Stock available for issuance from time to time for corporate purposes, including raising additional capital, acquisitions of other companies or their assets, the issuance of shares under current or future equity incentive plans for our directors, officers and employees (including the 2022 Plan discussed under Proposal 4 herein), the issuance of stock dividends or stock splits, and other corporate purposes. Such issuances may occur both in the short-term and in the long-term planning for the Company.

Potential Effects of Proposed Amendment

The additional shares of Common Stock, when and if issued, would have the same rights and privileges as the shares of Common Stock now issued, including the right to cast one vote per share and to participate in dividends when and to the extent declared and paid. Our Common Stock does not entitle any holder to any preemptive rights, although certain participants in our 2013 Private Placement did acquire the contractual right to continue to maintain their ownership percentage in the Company should we issue additional common stock, subject to certain exceptions, and until our Common Stock is listed on a national securities exchange, if ever. Any issuance of additional shares of Common Stock would increase the number of outstanding shares of Common Stock. As a result, existing shareholders would experience dilution in their percentage ownership, voting power and in their earnings per share (unless such issuance was pro rata among all existing shareholders). In addition, depending upon the price realized in such issuance, existing shareholders may experience a reduction in their book value per share.

Our board of directors will determine whether, when and on what terms the issuance of shares of Common Stock may be warranted in connection with any future actions. If the Articles Amendment is approved by the shareholders, the shares of Common Stock would be available for issuance without further action by our shareholders, except as may be required by applicable law or the rules of any exchange or market on which are securities are then traded.

Although an increase in the authorized shares of Common Stock could, under certain circumstances, also be construed as having an anti-takeover effect (for example, by permitting easier dilution of the stock ownership of a person seeking to effect a change in the composition of the Company's board of directors or contemplating a tender offer or other transaction resulting in our acquisition by another company), the proposed increase in authorized shares is not in response to any effort by any person or group to accumulate shares of our Common Stock or to obtain control of the Company by any means. In addition, the proposal is not part of any plan by our board of directors to recommend or implement a series of anti-takeover measures.

Dissenter's Rights

Under California law and our Articles of Incorporation, holders of our Common Stock will not be entitled to dissenter's rights or appraisal rights with respect to the proposal to increase our authorized shares of Common Stock.

Outstanding Common Stock and Shares of Common Stock Available for Issuance

| | <u>As of the Record Date</u> | <u>Upon Effectiveness of Amendment</u> |
|--|----------------------------------|--|
| Shares of Common Stock Authorized | 10,000,000 | 15,000,000 |
| Shares of Common Stock Outstanding | 6,316,573 | 6,316,573 |
| Shares of Common Stock Reserved for Issuance* | 29,271 | 600,000 |
| Shares of Common Stock Available for Future Issuance | 3,654,156 | 8,083,427 |

* The number of shares of Common Stock reserved for issuance reflects shares of Common Stock reserved for issuance under our existing equity incentive plan. In addition, pursuant to this Proxy Statement, we are requesting approval of the 2022 Plan which will reserve an additional 600,000 shares for issuance for employees, consultants and directors. As of the Record Date, there were no options to purchase shares of Common. Following approval by our shareholders of the 2022 Plan, no new grants of options or other equity awards will be made under our existing equity incentive plan, provided.

** The foregoing table assumes no issuances of Common Stock by the Company between the Record Date and the effectiveness of the Articles Amendment. Should the Company issue additional shares after the Record Date and before the effectiveness of the Articles Amendment, the number of shares of Common Stock outstanding and number of shares of Common Stock available for future issuance would adjust accordingly.

Required Vote

The affirmative vote of a majority of the issued and outstanding shares of our Common Stock entitled to vote is required for approval of the Articles Amendment.

THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE ARTICLES AMENDMENT

PROPOSAL 4: 2022 EQUITY INCENTIVE PLAN

The Board of Directors is asking our shareholders to approve the Avidbank Holdings, Inc. 2022 Equity Incentive Plan (the “Plan”).

The Board believes that the Plan, which replaces our expiring 2013 Equity Incentive Plan (the “2013 Plan”), is important for attracting and retaining well-qualified employees, consultants and directors in a competitive labor market and that the Plan will continue to provide a significant incentive for our employees, consultants and directors to increase the value of the Company for all shareholders, which is essential to our long-term growth and success. The Board believes that there is a need for the Company to continue to maintain such an equity incentive program, with shares available for issuance under the Plan in order to provide such incentives. The Board believes that the number of shares available for awards under the Plan, together with shareholder protections in the Plan, reflects an appropriate balance between providing us with the flexibility to offer an equity award program over a multi-year period and shareholder dilution considerations.

Shareholder Protection Provisions

The Plan includes the following shareholder protection provisions:

- The number of shares of our common stock available for awards under the Plan is limited to 600,000 shares, which represents approximately 9.50% of shares currently issued and outstanding.
- Share recycling under the Plan is limited only to forfeited, canceled and terminated awards and shares that are forfeited or canceled for the return of their purchase price.

- A minimum vesting period of one year applies to all awards, with exceptions for vesting on death, disability and change in control and for awards that in the aggregate do not exceed 5% of shares authorized under the Plan.
- Dividends and dividend equivalents on unvested shares and share awards are payable only if and when the shares or share awards vests.
- Accelerated vesting on a change in control of the Company is to be provided only if the participant's service is terminated without cause or for good reason or the acquirer does not assume the Plan or substitute comparable awards.
- The Plan restricts repricing of stock options and SARs, and expressly precludes, without prior shareholder approval, cancellation of underwater options and SARs in exchange for cash or any other award under the Plan.
- The Plan limits awards under the Plan and other compensation to non-employee directors to \$150,000 per year, except for extraordinary services.

Summary of the 2022 Equity Incentive Plan.

The principal features of the Plan are described below. However, this summary of the Plan does not purport to be exhaustive and is expressly qualified in its entirety by reference to the full text of the Plan document, which is attached to this Proxy Statement as Exhibit A.

Administration. The Plan is administered and interpreted by the Personnel and Compensation Committee of our Board, which is comprised of 6 non-employee directors, each of whom is a “non-employee director” within the meaning of applicable federal securities laws. However, if a member of the Personnel and Compensation Committee is not a “non-employee director” within the meaning of applicable federal securities laws, the Personnel and Compensation Committee may from time to time delegate some or all of its functions under the Plan to a committee or subcommittee composed of members that meet the relevant requirements. Subject to the provisions of the Plan, the Personnel and Compensation Committee has full power and authority (a) to select the participants to whom awards will be granted, (b) to set the terms and conditions of the awards at initial grant and any subsequent revisions or changes to the terms and conditions of awards, including, but not limited to, changes to, or removal of restrictions on, outstanding awards relating to vesting, restriction periods and exercise periods, (c) to interpret the Plan, (d) to adopt rules for the administration, interpretation and application of the Plan and (e) to interpret, amend or revoke any such rules.

Types of Awards. The Plan provides the Personnel and Compensation Committee with the authority to grant a variety of types of equity awards, which include incentive stock options, nonstatutory stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs), performance shares, performance units and other stock-based awards, briefly summarized as follows:

- *Incentive Stock Options or Nonstatutory Stock Options.* Options entitle the participant to purchase shares of our Common Stock over time for an exercise price fixed on the date of the grant. The exercise price may not be less than 100% of the fair market value of our Common Stock on the date of the grant. The exercise price may be paid in cash, by the transfer of shares of our Common Stock meeting certain criteria, by the sale through a broker of a portion of the shares acquired upon exercise, by applying the value of a portion of the shares acquired upon exercise and issuing only the net balance of the shares, or by a combination of these methods. A participant has no rights as a shareholder with respect to any shares covered by an option until the option vests and is exercised by the participant and shares are issued by us.

- *Stock Appreciation Rights.* SARs entitle the participant to receive the appreciation in the fair market value of our Common Stock between the date of grant and the exercise date either in cash or in the form of shares of our Common Stock. For cash-settled SARs, the participant will have no rights as a shareholder. For stock-settled SARs, the participant will have no rights as a shareholder with respect to any shares covered by the SAR until the award vests and is exercised by the participant and we issue the shares.
- *Restricted Stock and Restricted Stock Units.* Restricted stock awards are shares of our Common Stock that vest in accordance with terms and conditions established by the Personnel and Compensation Committee. Restricted stock units provide for the issuance of shares of our Common Stock at a later date or event upon vesting in accordance with terms and conditions established by the Personnel and Compensation Committee. Shares of restricted stock and RSUs that do not satisfy vesting conditions are subject to forfeiture. In either case, the vesting conditions may be based on continued employment (or other service) with us and our affiliates and/or achievement of performance goals. Unless otherwise provided in the applicable award agreement, a participant granted restricted stock will have the rights of a shareholder for the Common Stock subject to restrictions, including voting and dividend rights (provided that such dividends will be paid only upon vesting of the shares), but not the right to sell or transfer the shares. A participant granted RSUs does not have shareholder rights until shares are issued, if at all, but may be granted dividend equivalent rights with respect to shares that vest and ultimately are issued prior to issuance of shares.
- *Performance Shares and Performance Units.* A performance share is a hypothetical share with an initial value equal to the fair market value of a share of Common Stock as of the date of grant which entitles the recipient to a payout equal to the value of the number of performance shares earned by the recipient over a specified performance period, determined by the extent to which the recipient or the Company achieves certain performance goals. A performance unit is a unit of value with an initial value as of the date of grant established by the Personnel and Compensation Committee that entitles the recipient to a payout equal to the value of the number of performance units earned by the recipient over a specified performance period, determined by the extent to which the recipient achieves certain performance goals. The Personnel and Compensation Committee at its discretion determines the number and value of performance shares or performance units granted to a participant, term of the performance period, applicable performance goals, any applicable purchase rights, rights to dividend equivalents during the performance period, form of payment, and other terms and conditions, including any holding requirements on the shares received pursuant to such Award.
- *Other Stock-Based Awards.* Other stock-based awards permitted under the Plan include awards that may be settled in cash or in shares of our Common Stock and are valued in whole or in part by reference to shares of our Common Stock.

Eligibility. All of our employees, officers, directors and consultants are eligible to participate in the Plan. All participants may receive all types of awards under the Plan, except that incentive stock options may be granted only to employees (including officers and directors who are also employees). The Personnel and Compensation Committee determines which persons eligible to participate will receive awards and the terms of their individual awards.

On March 1, 2022, we had approximately 130 employees (including officers and directors who are also employees) and 8 non-employee directors who would be eligible to participate in the Plan. The actual number of persons who will receive awards from time to time cannot be determined in advance because the Personnel and Compensation Committee has the discretion to select the award recipients. The Company and the Bank have not entered into any prior agreements or arrangements relating to grants which are required to be made under the Plan with any executive officer or director.

Maximum Shares Reserved. The maximum number of shares of our Common Stock available for issuance under the Plan is 600,000 shares. This is also the maximum number of shares that may be issued pursuant to incentive stock options under the Plan.

The following additional rules apply for counting shares against the maximum share limit under the Plan:

- Shares of stock underlying any awards that are forfeited, canceled or otherwise terminated (other than by exercise) and shares that are forfeited or repurchased by the Company for an amount not greater than the participant's exercise or purchase price will be added back to the shares of stock available for issuance under the Plan.
- Shares tendered or held back upon exercise of an option or settlement of a stock appreciation right to cover the exercise price or tax withholding will count against the limit and will not be available for future issuance under the Plan.
- Shares tendered or held back upon the vesting or settlement of any restricted stock, RSUs, performance shares and other full value stock-based awards to cover tax withholding will not be added back to the shares available for grant under the Plan.
- Upon exercise of stock appreciation rights, the gross number of shares exercised will be deducted from the total number of shares remaining available for issuance under the Plan.
- Upon exercise of any award settled in cash, the number of shares upon which the cash payment is based will be deducted from the total number of shares remaining available for issuance under the Plan.

Non-Employee Director Compensation Limit. In order to provide a meaningful and specific limit on the compensation that may be provided to non-employee directors under the Plan, the maximum aggregate value of awards granted under the Plan and cash compensation payable to any non-employee director in any one calendar year may not exceed \$150,000 (other than for extraordinary services), as determined for our financial accounting purposes as of the date of grant.

Terms of Awards. The Personnel and Compensation Committee will determine the types of awards to be granted from among those provided under the Plan and the terms of such awards, including the number of shares of our Common Stock or other securities underlying the awards; restrictions and vesting requirements, which may be time-based vesting or vesting upon satisfaction of performance goals and/or other conditions; the exercise price for options and SARs, which may not be less than 100% of the fair market value of a share on the grant date; and, where applicable, the expiration date of awards, which for options and SARs may not be more than 10 years after the grant date.

Performance-Based Awards. Vesting and/or exercise of awards under the Plan may be made subject to the satisfaction of financial criteria or other objective performance measures, which are to be determined by the Personnel and Compensation Committee at the time of grant of an award. As established by the Personnel and Compensation Committee, these performance criteria may be measured either in absolute terms or compared to results of a peer group and may be measured at a business unit level or other Company-specific basis specified by the Personnel and Compensation Committee. Achievement of any such performance goal shall be measured over performance periods determined by the Personnel and Compensation Committee.

No Repricing. Without the prior approval of our shareholders, options and SARs granted under the Plan may not be repriced, replaced, regranted or amended to reduce the exercise price, and any options and SARs with exercise prices greater than current fair market value may not be canceled in exchange for cash or any other award under the Plan.

Transferability of Awards. Awards under the Plan generally are not transferable by the participant other than by will or the laws of descent and distribution and are generally exercisable, during the participant's lifetime, only by the participant. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the participant or the participant's estate or legal representative or guardian. However, an award other than incentive stock options may be transferred to a revocable trust for the benefit of the participant.

Adjustments and Substitute Awards. The share limits and the number and kind of shares available under the Plan, and the shares subject to any outstanding awards, as well as the exercise or purchase prices of such awards, are subject to adjustment in the event of certain reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, spin-off, combination or other similar change in our capital stock or the number or kind of shares outstanding.

In the event we acquire another entity, the Plan provides for the issuance of substitute equity awards for existing equity compensation of the acquired company, which do not count against the Plan's share limits.

Change in Control. If the Company undergoes a change in control, which includes certain corporate transactions such as a merger, reorganization or consolidation resulting in a change in majority ownership, a sale of substantially all of our assets, or a sale of more than 50% of our stock, then awards outstanding under the Plan may be assumed, substituted or otherwise continued or may be cashed out or exchanged for other property based upon the fair market value of our Common Stock of the consideration paid per share in the Change in Control. Awards that are not assumed, substituted, or otherwise continued upon such an event will terminate if not exercised. Vesting and exercisability of awards outstanding upon a Change in Control may be accelerated if either the participant's employment is terminated without cause or for good reason or the acquirer fails to assume, continue or substitute for such awards.

Clawback of Awards. Awards granted to an executive officer of the Company under the Plan will be subject to recovery or clawback to the extent that recovery or repayment of the award is required by applicable law, including under circumstances that the financial results used to determine the amount of that award are materially inaccurate. In addition, awards will adhere to applicable laws relating to excessive compensation, golden parachute payment and risk management, and may be subject to regulatory approval.

Amendment and Termination. The Board or the Personnel and Compensation Committee may amend or terminate the Plan at any time, provided that any such amendment or termination may not adversely affect any awards then outstanding without the participant's consent. Shareholder approval is required for any amendment that would increase the number of shares of Common Stock available for awards under the Plan, that would alter or delete the shareholder approval requirement for repricing options and SARs, and for which shareholder approval is required by any applicable law, regulation or stock exchange rule.

Federal Tax Aspects

The following is a general discussion of certain U.S. federal income tax consequences relating to certain of the awards that may be issued under the Plan, based on U.S. federal income tax laws in effect on the date of this Proxy Statement. This discussion is general in nature only, and is not intended to be specific income tax advice on which we or any participant will rely. This summary does not describe all of the possible federal income tax consequences that could result from the acquisition, holding, exercise or disposition of any award or of any shares of Common Stock received pursuant to any award granted under the Plan. This summary does not describe any state, local or foreign tax consequences or any gift, estate or excise tax consequences.

Tax Consequences to Participants.

Incentive Stock Options. A participant will not recognize income upon the grant of an option intended to be an incentive stock option. Furthermore, a participant will not recognize ordinary income upon the exercise of an incentive stock option if he or she satisfies certain employment and holding period requirements, although the

increase in share value at time of exercise may be subject to alternative minimum tax. To satisfy the employment requirement, a participant must exercise the option not later than three (3) months after he or she ceases to be our employee (one (1) year if he or she is disabled). To satisfy the holding period requirement, a participant must hold the shares acquired upon exercise of the incentive stock option for more than two (2) years from the grant of the option and more than one (1) year after the shares are transferred to him or her. If these requirements are satisfied, a participant will be taxed on the difference between his or her basis in the shares (which is typically the option exercise price) and the net proceeds of the sale at capital gain rates on the sale of the shares.

If the employment requirement is not met, the option will be taxed as a nonstatutory stock option at time of exercise. If a participant disposes of shares of our Common Stock acquired upon the exercise of an incentive stock option without satisfying the holding period requirement, that participant generally will recognize ordinary income as of the date of disposition equal to the lesser of (i) the difference between the fair market value of the shares on the date of exercise and the exercise price, or (ii) the difference between the selling price of the shares and the exercise price.

Nonstatutory Stock Options. In general, a participant will not recognize income at the time a nonstatutory stock option is granted. At the time of exercise of the option, the participant will recognize ordinary income if the shares are not then subject to a substantial risk of forfeiture. The amount of such income will be equal to the difference between the option exercise price and the fair market value of the shares of our Common Stock on the date of exercise. At the time of the sale of the shares of our Common Stock acquired pursuant to the exercise of an option, appreciation in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain, and depreciation in value will be treated as short-term or long-term capital loss, depending on how long the shares have been held. Long-term capital gains may be eligible for reduced tax rates if the participant has satisfied applicable holding period requirements.

Stock Appreciation Rights. In general, a participant will not recognize income at the time a stock appreciation right is granted. Upon exercise of the right, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the underlying shares on the exercise date over the exercise price, whether such amount is payable in cash or in shares of Common Stock. If the participant receives such excess value in Common Stock, any additional gain or any loss recognized upon later disposition of any shares received on exercise will be capital gain or loss.

Restricted Stock. In general, a participant will not have taxable income upon the grant of restricted stock. Instead, at the time the participant holds stock free of any substantial risk of forfeiture, the participant will recognize ordinary income equal to the fair market value (on that date) of the shares or other property less any amount paid. Alternatively, the participant may elect under Section 83(b) of the Internal Revenue Code to include as ordinary income in the year of grant of restricted stock, an amount equal to the fair market value (on the grant date) of the restricted stock less any amount paid. Any disposition of shares after restrictions lapse will be subject to the regular rules governing long-term and short-term capital gains and losses with the basis for this purpose equal to the fair market value of the shares at the end of the restriction period (or on the date of receipt of the restricted stock, if the participant elects to be taxed upon grant). To the extent dividends are payable upon vesting of restricted stock relating to the restriction period under the applicable award agreement, such dividends will be taxable to the participant at ordinary income tax rates and will be deductible by the Company unless the participant has elected to be taxed on the fair market value of the restricted stock upon transfer, in which case they will be taxable to the participant as dividends and will not be deductible by the Company.

Restricted Stock Units, Performance Shares and Performance Units. A participant will normally not recognize taxable income upon an award of restricted stock units, performance shares or performance units. Upon the lapse of the restrictions and the issuance of the earned shares, the participant will recognize ordinary taxable income in an amount equal to the fair market value of the Common Stock received.

Other Stock-Based Awards. Normally, a participant will not recognize taxable income upon the grant of performance awards or other stock-based awards. Subsequently, when the conditions and requirements for the grants have been satisfied and the payment determined, any cash received and the fair market value of any Common Stock received will be taxed as ordinary income to the participant.

Tax Withholding. Ordinary income recognized on exercise of nonstatutory stock options and stock appreciation rights and on vesting of restricted stock, restricted stock units, performance shares, performance units and other similar awards is subject to income and employment tax wage withholding, unless the participant is a non-employee director or consultant. The Personnel and Compensation Committee may allow a participant to satisfy his or her tax withholding requirements under federal and state tax laws in connection with the exercise or receipt of an award by payment in cash, withholding from the participant’s other compensation, electing to have shares withheld, and/or delivering to us already-owned shares of our Common Stock.

Section 409A. A participant receiving an award that is subject to, but fails to comply with, the deferred compensation requirements of Section 409A of the Internal Revenue Code (“Section 409A”) may be subject to a penalty tax of 20% of the income from such award plus interest charges, in addition to ordinary income tax. Failure to comply with Section 409A also may result in an acceleration of the timing of income taxation of such awards. Awards granted under the Plan are intended to be exempt from or to comply with the rules of Section 409A.

Tax Consequences to the Company. To the extent that a participant recognizes ordinary income as described above, we generally will be entitled to a corresponding tax deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an “excess parachute payment” within the meaning of Section 280G of the Internal Revenue Code and is not disallowed by the \$1,000,000 limitation on certain executive compensation under Section 162(m) of the Internal Revenue Code.

Section 162(m) Limitation. Section 162(m) of the Internal Revenue Code and the regulations thereunder contain special rules regarding the income tax deductibility of compensation paid to our chief executive officer and to certain of our other executive officers. Compensation paid to any of these specified executives is deductible only to the extent that it does not exceed \$1 million in any tax year. The Personnel and Compensation Committee, in its discretion, may grant awards under the Plan to executive officers that exceed this compensation deductibility limitation.

Shareholder Dilution Considerations

The following table reflects the number of shares of our Common Stock that will be available for awards under the Plan following shareholder approval:

| | |
|---|---------|
| Number of shares authorized under the Plan | 600,000 |
| Number of shares subject to outstanding awards under the 2013 Plan at 3/21/2022 (1) | 345,430 |
| Number of shares available for future awards under the 2013 Plan at 3/21/2022 | 29,271 |

(1) The number of shares subject to outstanding awards under the 2013 plan is comprised solely unvested restricted stock awards.

*No future awards will be granted under the 2013 Plan following shareholder approval of the Plan.

To protect shareholder interests from the potential dilutive impact of equity awards, we actively manage our equity plan resources as effectively as possible, as indicated by the table below. The “unadjusted burn rate” for any particular fiscal year is the total number of shares of our Common Stock issuable under the equity-based awards granted in that fiscal year divided by our weighted average total number of shares of Common Stock issued and outstanding during that fiscal year.

Our unadjusted burn rates for the past three fiscal years are set forth in the following table:

| Year | Stock Options Granted | Restricted Shares Granted | Total Granted | Weighted Average Common Shares Outstanding | Burn Rate |
|----------------|-----------------------|---------------------------|---------------|--|-----------|
| 2021 | – | 127,415 | 127,415 | 5,890,216 | 2% |
| 2020 | – | 130,155 | 130,155 | 5,859,547 | 2% |
| 2019 | – | 144,580 | 144,580 | 5,801,337 | 2% |
| 3-Year Average | – | 134,050 | 134,050 | 5,850,367 | 2% |

We anticipate that the 600,000 shares available for future awards under the Plan will give us flexibility to grant equity awards for 3 to 5 years, accommodating anticipated grants relating to the hiring, retention and promotion of employees and for the compensation of non-employee directors and consultants. However, the total number of shares available under the Plan could be exhausted sooner based on any number of variables, including, without limitation, the value of our Common Stock, changes in competitors’ compensation practices or changes in compensation practices in the market generally, changes in the number of employees, changes in the number of directors and officers, the extent to which vesting conditions applicable to equity-based awards are satisfied, the need to attract, retain and incentivize key talent, the type of awards we grant, and how we choose to balance total compensation between cash and equity-based awards.

The inclusion of this information in this Proxy Statement should not be regarded as an indication that the assumptions used to determine the number of shares will be predictive of actual future equity grants.

Plan Benefits

The future benefits or amounts that would be received under the Plan are discretionary and are therefore not determinable at this time. However, we expect that future awards under the Plan will be granted in a manner substantially consistent with the historical grant of awards under the Plan. All grants made in 2021 under the 2013 Plan to our three most highly compensated executive officers are disclosed in the Summary Compensation Table. For information regarding the size and structure of awards made in the past, please see the disclosures in this Proxy Statement under “Outstanding Equity Awards.”

Market Value of Underlying Securities

Our Common Stock underlies all of the options and other awards to be made under the Plan. The market value of our Common Stock at the close of trading on the Record Date was \$25.95 per share.

Required Vote

Proposal 4 requires the affirmative vote of a majority of the shares of our Common Stock entitled to vote on this proposal.

THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE 2022 EQUITY INCENTIVE PLAN.

PROPOSAL 5

ADJOURNMENT PROPOSAL

The Board of Directors is asking our shareholders to approve the adjournment of the Annual Meeting to another date or dates if necessary or appropriate, to permit further solicitation of proxies if necessary to obtain additional votes in favor of the Articles Amendment and/or the 2022 Equity Incentive Plan.

If, at the Annual Meeting, the number of shares of Company Common Stock voting in favor of either or both the Articles Amendment and/or the 2022 Equity Incentive Plan is insufficient to approve such proposal(s), the Company intends to move to adjourn the special meeting to one or more dates in order to solicit additional proxies for the approval of such proposal(s).

In the adjournment proposal, the Company is asking its shareholders to authorize the holder of any proxy solicited by the Company's board of directors on a discretionary basis to vote in favor of adjourning the Annual Meeting to another date or dates for the purpose of soliciting additional proxies in favor of the Articles Amendment and/or the 2022 Equity Incentive Plan, including the solicitation of proxies from Company shareholders who have previously voted.

Required Vote

This adjournment proposal requires the affirmative vote of a majority of the shares of our Common Stock represented and voting at the Annual Meeting (which shares voting affirmatively also constitute a majority of the required quorum).

THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE ADJOURNMENT PROPOSAL

OTHER BUSINESS

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

Legal Proceedings

There are no pending or, to management's knowledge, any threatened material legal proceedings to which the Company is a defendant, or to which any of the Company's assets are subject. There are no material legal proceedings to which any director, any nominee for election as a director, any executive officer of the Company, or any associate of any such director, nominee or officer is a party adverse to the Company.

Common Equity Trading History

The Company's common stock is quoted on the Over the Counter Electronic Bulletin Board under the symbol "AVBH". The information in the following table indicates the high and low bid quotations for the Company's

common stock for each quarterly period for the last three years, and is based upon information provided by the OTC Bulletin Board. These quotations reflect actual transactions exclusive of commissions and other charges.

| | | High | Low |
|------|----------------|---------|---------|
| 2022 | First Quarter | \$27.00 | \$25.10 |
| 2021 | Fourth Quarter | \$25.32 | \$22.51 |
| | Third Quarter | \$24.00 | \$21.21 |
| | Second Quarter | \$24.00 | \$22.00 |
| | First Quarter | \$22.10 | \$17.49 |
| 2020 | Fourth Quarter | \$18.30 | \$13.20 |
| | Third Quarter | \$15.50 | \$13.20 |
| | Second Quarter | \$16.49 | \$14.65 |
| | First Quarter | \$24.98 | \$13.55 |

Shareholder Communication; Shareholder Proposals

Any shareholder may communicate directly to the Board of Directors, or to any individual board member, by sending correspondence or communication addressed to the particular member or members addressed in care of Avidbank Holdings, Inc., 1732 N 1st Street, 6th Floor, San Jose, CA 95112.

Shareholders wishing to present proposals at the 2023 Annual Meeting of Shareholders must do so in compliance with the Company's bylaws, a copy of which is available to any shareholder upon request to the Company's corporate secretary at the address below. Generally, to be timely, a shareholder's proposal must be received by the corporate secretary not less than 90 days nor more than 120 days prior to any such meeting.

IN ADDITION, THE COMPANY'S ANNUAL REPORT FOR 2021 IS ENCLOSED, AND ADDITIONAL COPIES ARE AVAILABLE TO ANY SHAREHOLDER WITHOUT CHARGE. THE REPORT MAY BE OBTAINED BY WRITTEN REQUEST TO CORPORATE SECRETARY, AVIDBANK HOLDINGS, INC., 1732 N 1ST STREET, 6TH FLOOR, SAN JOSE, CA 95112.

By order of the Board of Directors

Kristofer W. Biorn
 Corporate Secretary
 March 31, 2022

EXHIBIT A

2022 EQUITY INCENTIVE PLAN

Avidbank Holdings, Inc.
2022 Equity Incentive Plan

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Avidbank Holdings, Inc. 2022 Equity Incentive Plan

Article 1. Establishment, Purpose, and Duration

1.1 Establishment of the Plan. Avidbank Holdings Inc., a California corporation (hereinafter referred to as the “Company”), establishes a stock-based incentive compensation plan to be known as the Avidbank Holdings, Inc. 2022 Equity Incentive Plan (hereinafter referred to as the “Plan”), as set forth in this document.

The Plan shall become effective upon the date of Board approval of the Plan (the “Effective Date”), subject to shareholder approval as set forth in Section 18.7 hereof, and shall remain in effect as provided in Section 1.3 hereof.

1.2 Purposes of the Plan. The purposes of the Plan are to provide the Company flexible means of compensating Employees, Directors and Consultants of the Company in order to attract, motivate and retain such Employees, Directors and Consultants who become Participants in the Plan, and to promote the success and enhance the value of the Company by linking the personal interests of the Participants to those of the Company’s shareholders and by providing Participants with an incentive for outstanding performance.

1.3 Duration of the Plan. Unless sooner terminated as provided herein, the Plan shall terminate ten (10) years from the Effective Date. After the Plan terminates, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan’s terms and conditions.

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meaning set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 “Affiliate” shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations of the Exchange Act.

2.2 “Award” means, individually or collectively, a grant under this Plan of NSOs, ISOs, SARs, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, or Stock-Based Awards.

2.3 “Award Agreement” means either (i) an agreement entered into by the Company and each Participant setting forth the terms and provisions applicable to Awards granted under this Plan; or (ii) a statement issued by the Company to a Participant describing the terms and provisions of such Award.

2.4 “Beneficial Owner or Beneficial Ownership” shall have the meaning ascribed to such term in rule 13d-3 of the General Rules and Regulations under the Exchange Act.

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

2.6 “Cause” means any of the following with respect to a Participant:

(a) The Participant’s deliberate violation of any state or federal banking or securities law; or

(b) The Participant's deliberate violation of the Bylaws, rules, policies or resolutions of the Company that has a material adverse effect on the Company or any Subsidiary; or

(c) The Participant's deliberate violation of the rules or regulations of the California Department of Financial Institutions or any successor agency, the Federal Deposit Insurance Corporation, the Federal Reserve Board of Governors, the Office of the Comptroller of the Currency or any other regulatory agency or governmental authority having jurisdiction over the Company or any Subsidiary; or

(d) The Participant's conviction of any felony; or

(e) The Participant's conviction of a crime involving moral turpitude, fraudulent conduct, or dishonest conduct.

2.7 "Change in Control" shall mean any of the following:

(a) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) or group becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act) or has the right to acquire beneficial ownership, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(b) The consummation of the sale, lease or other disposition by the Company of all or substantially all of the Company's assets (including any equity interests in subsidiaries); or (c) The consummation of a merger, consolidation, business combination, share exchange or similar transaction involving the Company and any other entity ("Business Combination") which results in the voting securities of the Company outstanding immediately prior thereto representing less than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such Business Combination.

Notwithstanding the foregoing, if any payment to be made hereunder as a result of the occurrence one or more of the foregoing events would be considered "nonqualified deferred compensation" for purposes of Section 409A of the Code, then, as to such payment, such event shall constitute a Change in Control only if the event additionally constitutes a "change in ownership," a "change in effective control" or a "change in the ownership of a substantial portion of the assets" (as such terms are defined for purposes of Section 409A of the Code) of the Company or a Subsidiary.

2.8 "Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time, or corresponding provisions of any successor statute thereto.

2.9 "Committee" means the Compensation Committee of the Board. However, if a member of the Compensation Committee is not a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, the Compensation Committee may from time to time delegate some or all of its functions under the Plan to a committee or subcommittee composed of members that meet the relevant requirements. The term "Committee" includes any such committee or subcommittee, to the extent of the Compensation Committee's delegation.

2.10 "Company" means Avidbank Holdings, Inc., a California corporation, and any successor thereto as provided in Article 16 herein.

2.11 “Consultant” means an individual providing services to the Company or any Subsidiary, other than a Director or an Employee, and other than in connection with the offer or sale of any Company securities in a capital-raising transaction. Such Consultant shall be eligible to participate in the Plan as selected by the Committee in accordance with Article 5. Notwithstanding any other provision in the Plan to the contrary, the following shall apply in the case of a Consultant who is allowed to participate in the Plan: (a) with respect to any reference in this Plan to the working relationship between such Consultant and the Company or a Subsidiary, the term “service” shall apply as may be appropriate in lieu of the term “employment” or “employ”; (b) no such Consultant shall be eligible for a grant of an ISO; and (c) the exercise period and vesting of an Award following such Consultant’s termination from service shall be specified and governed under the terms and conditions of the Award as may be determined by the Committee and set forth in the Consultant’s Award Agreement related to such Award.

2.12 “Director” means any individual who is a member of the Board or of the board of directors of any Subsidiary.

2.13 “Employee” means an employee of the Company or any Subsidiary. A Director who is not otherwise employed as an employee of the Company or any Subsidiary shall not be considered an Employee under this Plan.

2.14 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.15 “Fair Market Value” or “FMV” of Shares or Stock on any given date under the Plan shall be determined as follows:

(a) If the Stock is at the time listed or admitted to trading on any national stock exchange, including the Nasdaq Stock Market, then the fair market value shall be the closing selling price per share of the Stock on the date of determination on the stock exchange determined by the Committee to be the primary market for the Stock, as such price is officially quoted in the composite tape transactions on such exchange. If there is no reported sale of the Stock on such exchange on the date of determination, then the fair market value shall be the closing price on the exchange on the last preceding date for which such quotation exists;

(b) If the Stock is at the time neither listed nor admitted to trading on any national stock exchange, but is traded over-the-counter (including on the Over-the-Counter Bulletin Board), then the fair market value shall be the mean between the last reported bid and asked prices quoted for such date by the principal automated inter-dealer quotation system on which such Stock is quoted or, if Stock is not quoted on any such system, by the "Pink Sheets" published by the National Quotation Bureau, or through any successor system. If there is no reported bid or asked price for the Stock on the date of determination, then the fair market value shall be the mean between the last reported bid and asked prices on the last preceding date for which such bid and asked prices exist; and

(c) If the Stock is at the time neither listed nor admitted to trading on any stock exchange, or over-the-counter or the Pink Sheets, then the then the fair market value shall be determined by the Committee in good faith on such basis and taking into account such factors as the Committee shall deem appropriate, without regard to any restriction other than a restriction which, by its terms, will never lapse, and to the extent applicable in a manner consistent with the requirements of Section 409A of the Code.

2.16 “Freestanding SAR” means a SAR that is granted independently of any Options, as described in Article 7 herein.

2.17 “Grant Price” means the price at which a SAR may be exercised by a Participant, as determined by the Committee and set forth in Section 7.1 herein.

2.18 “Incentive Stock Option” or “ISO” means an Option to purchase Shares granted under Article 6 herein and that is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.

2.19 “Insider” shall mean an individual who is, on the relevant date, an officer, Director, or more than ten percent (10%) Beneficial Owner of any class of the Company’s equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board in accordance with Section 16 of the Exchange Act.

2.20 “Non-Employee Director” means a Director who is not employed by the Company or an Affiliate of the Company.

2.21 “Nonstatutory Stock Option” or “NSO” means an Option to purchase Shares, granted under Article 6 herein, which is not intended to be an Incentive Stock Option or that otherwise does not meet such requirements.

2.22 “Option” means an Incentive Stock Option or a Nonstatutory Stock Option, as described in Article 6 herein.

2.23 “Option Price” means the price at which a Share may be purchased by a Participant pursuant to an Option, as determined by the Committee.

2.24 “Participant” means an Employee, Director or Consultant who has been selected to receive an Award or who has an outstanding Award granted under the Plan.

2.25 “Performance Measures” means criteria determined by the Committee as described in Article 11 on which performance goals are to be based.

2.26 “Performance Period” means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.

2.27 “Performance Share” means an Award of Shares granted to a Participant, as described in Article 9 herein.

2.28 “Performance Unit” means an Award designated as such granted to a Participant, as described in Article 9 herein.

2.29 “Period of Restriction” means the period during which an Award or any portion of an Award is subject to forfeiture based on the passage of time, the achievement of performance goals, and/or upon the occurrence of other events as determined by the Committee, in its discretion.

2.30 “Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

2.31 “Restricted Stock” means an Award of Shares granted to a Participant pursuant to Article 8 herein.

2.32 “Restricted Stock Unit” means an Award designated as such granted to a Participant pursuant to Article 8 herein.

2.33 “Rule 701” means Rule 701 adopted by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

2.34 “Shares” or “Stock” means shares of common stock of the Company.

2.35 “Stock Appreciation Right” or “SAR” means an Award, designated as a SAR, pursuant to the terms of Article 7 herein.

2.36 “Stock-Based Award” means an Award granted pursuant to the terms of Article 10 herein.

2.37 “Subsidiary” means any corporation, partnership, joint venture, limited liability company, or other entity (other than the Company) in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain owns at least fifty percent (50%) of the total combined voting power in one of the other entities in such chain.

2.38 “Tandem SAR” means a SAR that is granted in connection with a related Option pursuant to Article 7 herein, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be cancelled) or a SAR that is granted in tandem with an Option but the exercise of such Option does not cancel the SAR, but rather results in the exercise of the related SAR.

Article 3. Administration

3.1 General. The Committee shall be responsible for administering the Plan. The Committee may employ attorneys, consultants, accountants, and other persons, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee shall be final, conclusive, and binding upon the Participants, the Company, and all other interested parties.

3.2 Authority of the Committee. The Committee shall have full and exclusive discretionary power and authority to interpret the terms and the intent of the Plan and to determine eligibility for Awards and to adopt such rules, regulations, and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions and, subject to Article 14, adopting modifications and amendments or subplans to the Plan or modifications or amendments to any Award Agreement, including without limitation, any that are necessary to comply with the laws of any country in which the Company or any Subsidiary operates.

3.3 Delegation. The Committee may delegate to one or more of its members or to one or more officers of the Company or any Subsidiary, or to one or more agents or advisors such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. Except with respect to Awards to Insiders, the Committee may (to the extent permitted by applicable law), by resolution, authorize one or more officers of the Company to do one or both of the following: (a) designate Employees and Consultants to be recipients of Awards;

and (b) determine the size of the Award; provided, however, that the resolution providing such authorization sets forth the total number of Shares subject to Awards such officer or officers may grant.

Article 4. Shares Subject to the Plan and Maximum Awards

4.1 Number of Shares Available for Awards. Subject to adjustment as provided in this Article 4, the number of Shares authorized to be delivered pursuant to Awards granted under the Plan is six hundred thousand (600,000) Shares (the "Share Authorization"). The Share Authorization also shall be the maximum number of Shares that may be issued under the Plan with respect to Incentive Stock Options. The maximum number of Shares available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as additional Restricted Stock, Restricted Stock Units, Performance Shares, or Stock-Based Awards. The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares. Following shareholder approval of the Plan, no new awards shall be granted under the Company's 2013 Equity Incentive Plan (the "2013 Plan"), provided, however, the Company may continue to issue shares of common stock pursuant to awards granted under the 2013 Plan that are outstanding as of the date of shareholder approval of this Plan.

If any Award expires, or is forfeited or cancelled without having been exercised or settled in full, or if Shares are acquired pursuant to an Award subject to forfeiture or repurchase and are forfeited or repurchased by the Company for an amount not greater than the Participant's exercise or purchase price, the Shares allocable to the terminated portion of such Award or such forfeited or repurchased Shares shall be added back to the Shares available for issuance under the Plan and shall again be available for future Awards under the Plan.

Shares tendered or held back upon exercise of an Option or any Award other than a full value Share Award to cover the exercise price or tax withholding shall not be available for future issuance under the Plan. Shares tendered or held back upon the vesting or settlement of any Restricted Stock, RSUs, Performance Shares and full value Stock-Based Awards to cover tax withholding shall not be added back to the number of Shares available for issuance under the Plan. Upon exercise of SARs, the gross number of Shares exercised shall be deducted from the total number of Shares remaining available for issuance under the Plan. Upon exercise of any Award that is settled in cash, the number of Shares upon which the cash payment is based shall be deducted from the total number of Shares remaining available for issuance under the Plan.

4.2 Adjustments in Authorized Shares. In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse Stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of securities, exchange of securities, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall substitute or adjust, in an equitable manner, as applicable, the number and kind of Shares that may be issued under the Plan, the number and kind of Shares subject to outstanding Awards, the Option Price or Grant Price applicable to outstanding Awards, the Award Limits, and other value determinations applicable to outstanding Awards.

Appropriate adjustments may also be made by the Committee in the terms of any Awards under the Plan to reflect such changes or distributions and to modify any other terms of outstanding Awards on an equitable basis, including modifications of performance goals and changes in the length of Performance Periods. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan.

4.3 Assumption or Substitution of Awards. The Board may, without affecting the Share Authorization, authorize the issuance of Awards under this Plan in substitution or assumption of outstanding awards under the plan of another entity in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code.

4.4 Limitation on Non-Employee Director Grants. No Non-Employee Director shall be granted Awards or receive cash compensation in any one calendar year having a value, as determined by the Company for financial reporting purposes, in excess of \$150,000. For the purpose of the preceding sentence, cash compensation that is deferred shall be considered received in the year for which it was initially payable and any earnings on deferred amounts shall not be taken into account. In adopting and approving this Plan, the Board and the Company's shareholders have considered that annual compensation to each Non-Employee Director of up to \$150,000 is reasonable. The foregoing limit on Non-Employee Director compensation applies only to compensation for customary Board services, and does not apply to compensation for special Board services, for example, being chair or vice-chair of the Board, which shall be subject to the limit set forth in the next sentence of this Section. The Board may make exceptions to this limit for individual Non-Employee Directors in extraordinary circumstances, so long as this Section would not be violated if the \$150,000 figure were instead \$300,000, as the Board may determine in its sole discretion, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving Non-Employee Directors.

Article 5. Eligibility and Participation

5.1 Eligibility. Individuals eligible to participate in the Plan include all Employees, Directors, and Consultants.

5.2 Participation. Subject to the provisions of the Plan, the Committee may from time to time, select from all eligible Employees, Directors, and Consultants, those to whom Awards shall be granted and shall determine the nature and amount of each Award.

Article 6. Stock Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, provided that ISOs shall not be granted to Non-Employee Directors and Consultants.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the

Committee shall determine which are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or a NSO.

6.3 Option Price. The Option Price for each grant of an Option under this Plan shall be determined by the Committee and shall be specified in the Award Agreement. The Option Price shall be not less than one hundred percent (100%) of the FMV of the Shares on the date of grant.

6.4 Duration of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable later than the tenth (10th) anniversary of the date of its grant.

6.5 Exercise of Options. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant. Options granted under this Article 6 shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment of the Option Price for the Shares.

6.6 Payment. Payment of the Option Price for the number of Shares being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent; (ii) if and to the extent set forth in the Award Agreement, by means of (1) a Stock Tender Exercise, (2) a Cashless Exercise or (3) a Net Exercise; (iii) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law; or (iv) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the Option Price or which otherwise restrict one or more forms of consideration. For purposes of this Section:

(a) **“Stock Tender Exercise”** means the delivery of a properly executed exercise notice accompanied by a Participant’s tender to the Company, or attestation to the ownership, in a form acceptable to the Company of whole Shares having a Fair Market Value that does not exceed the aggregate Option Price of the Shares with respect to which the Option is exercised. A Stock Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company’s Stock. If required by the Company, the Option may not be exercised by tender to the Company, or attestation to the ownership, of Shares unless such Shares either have been owned by the Participant for a period of time required by the Company (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(b) **“Cashless Exercise,”** which shall be permitted only upon the class of Shares subject to the Option becoming publicly traded in an established securities market, means the delivery of a properly executed exercise notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the Shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company’s sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants

specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(c) **“Net Exercise”** means the delivery of a properly executed exercise notice followed by a procedure pursuant to which (1) the Company will reduce the number of Shares otherwise issuable to a Participant upon the exercise of an Option by the largest whole number of Shares having a Fair Market Value that does not exceed the aggregate Option Price for the Shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate Option Price not satisfied by such reduction in the number of whole Shares to be issued.

6.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, requiring the Participant to hold the Shares acquired pursuant to exercise for a specified period of time, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.8 Termination of Employment. Each Participant’s Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant’s employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination. Notwithstanding the foregoing, to the extent required by California law, any Award Agreement for an Option shall provide that, except in connection with at termination for cause, to the extent that a Participant is entitled to exercise an Option on the date of employment termination, such Participant shall retain the right to exercise such option for at least six (6) months in the case of termination caused by death or disability and at least 30 days in the case of termination for any other reason.

6.9 Transferability of Options.

(a) **Incentive Stock Options.** No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or to a revocable trust established by and for the Participant. Further, all ISOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant or such Participant’s revocable trust.

(b) **Nonstatutory Stock Options.** Except as otherwise provided in a Participant’s Award Agreement or otherwise at any time by the Committee, no NSO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or to a revocable trust established by and for the Participant; provided that the Board or Committee may permit further transferability, on a general or a specific basis, subject to compliance with Rule 701, and may impose conditions and limitations on any permitted transferability. Further, except as otherwise provided in a Participant’s Award Agreement or otherwise at any time by the Committee, or unless the Board or the Committee decides to permit further transferability, all NSOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant or such Participant’s revocable trust.

6.10 Notification of Disqualifying Disposition. The Participant will notify the Company upon the disposition of Shares issued pursuant to the exercise of an ISO. The Company will use such information to determine whether a disqualifying disposition as described in Section 421(b) of the Code has occurred.

6.11 Minimum Exercise Period for Options. An Option that becomes exercisable based on the Participant's continued employment or other service as an Employee, Director or Consultant, may not become exercisable prior to the expiration of a one (1) year period of such employment or other service following the date of grant of such Option. Notwithstanding the foregoing sentence, the Committee shall have the power and the discretion to provide for earlier exercisability in the event a Participant's employment or other service as an Employee, Director or Consultant terminates due to death or disability or following a Change in Control, and to provide for earlier exercisability and vesting of Awards that in the aggregate (including any Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Stock-Based Awards that vest less than one (1) year from the date of grant and SARs exercisable less than one (1) year from the date of grant) are limited to a number of Shares that does not exceed five percent (5%) of the Share Authorization set forth in Section 4.1. An Option granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall not become first exercisable until at least six (6) months following the date of grant of such Option (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act).

Article 7. Stock Appreciation Rights

7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs.

Subject to the terms and conditions of the Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The SAR Grant Price of each Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement. The Grant Price of each Tandem SAR shall be equal to the Option Price of the related Option. The SAR Grant Price of each SAR must be not less than one hundred percent (100%) of the FMV of the Shares on the date of grant.

7.2 SAR Agreement. Each SAR shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and such other provisions as the Committee shall determine.

7.3 Term of SAR. The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion, and except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth (10th) anniversary of the date of its grant.

7.4 Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.5 Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option.

A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

7.6 Payment of SAR Amount. Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The difference between the FMV of a Share on the date of exercise over the Grant Price; by
- (b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, in some combination thereof, or in any other manner approved by the Committee at its sole discretion. The Committee's determination regarding the form of SAR payout shall be set forth or reserved for later determination in the Award Agreement pertaining to the grant of the SAR.

7.7 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

7.8 Nontransferability of SARs. Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or to a revocable trust established by and for the Participant; provided that the Board or Committee may permit further transferability, on a general or a specific basis, subject to compliance with Rule 701, and may impose conditions and limitations on any permitted transferability. Further, except as otherwise provided in a Participant's Award Agreement or otherwise unless the Board or the Committee decides to permit further transferability, all SARs granted to a Participant under this Article 7 shall be exercisable during his or her lifetime only by such Participant or by such Participant's revocable trust.

7.9 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares received upon exercise of a SAR granted pursuant to the Plan as it may deem advisable. This includes, but is not limited to, requiring the Participant to hold the Shares received upon exercise of a SAR for a specified period of time.

7.10 Minimum Exercise Period for SARs. SARs that become exercisable based on the Participant's continued employment or other service as an Employee, Director or Consultant, may not become exercisable prior to the expiration of a one (1) year period of such employment or other service following the date of grant of such Option. Notwithstanding the foregoing sentence, the Committee shall have the power and the discretion to provide for earlier exercisability in the event a Participant's employment or other service as an Employee, Director or Consultant terminates due to death or disability or following a Change in Control, and to provide for earlier exercisability and vesting of Awards that in the aggregate (including any Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and Stock-Based Awards that vest less than one (1) year from the date of grant and Options exercisable less than one (1) year from the date of grant) are limited to a number of Shares that does not exceed five percent (5%) of the Share Authorization set forth in Section 4.1. A SAR granted to

an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall not be first exercisable until at least six (6) months following the date of grant of such SAR (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act).

Article 8. Restricted Stock and Restricted Stock Units

8.1 Grant of Restricted Stock or Restricted Stock Units. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts, as the Committee shall determine. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Participant on the date of grant.

8.2 Restricted Stock or Restricted Stock Unit Agreement. Each Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

8.3 Transferability. Except as provided in this Article 8, the Shares of Restricted Stock and/or Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Award Agreement (and in the case of Restricted Stock Units until the date of delivery or other payment), or upon earlier satisfaction of any other conditions, as specified by the Committee, in its sole discretion, and set forth in the Award Agreement, subject to compliance with Rule 701 and all other applicable securities laws. All rights with respect to the Restricted Stock and/or Restricted Stock Units granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant or by such Participant's revocable trust.

8.4 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, restrictions under applicable federal or state securities laws, or any holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock or Restricted Stock Units.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse, and Restricted Stock Units shall be paid in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion shall determine.

8.5 Certificate Legend. In addition to any legends placed on certificates pursuant to Section 8.4 herein, each certificate representing Shares of Restricted Stock granted pursuant to the Plan may bear a legend such as the following:

“The sale or other transfer of the Shares of Stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Avidbank Holdings, Inc. 2022 Equity Incentive Plan, and in the associated Restricted Stock Award Agreement. A copy of the Plan and such Restricted Stock Award Agreement may be obtained from Avidbank Holdings, Inc.”

8.6 Voting Rights. To the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder shall have the right to exercise full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

8.7 Dividends and Dividend Equivalents. During the Period of Restriction, Participants holding Shares of Restricted Stock or Restricted Stock Units granted hereunder may, if the Committee so determines, be credited with dividends paid with respect to Restricted Stock or dividend equivalents with respect to Restricted Stock Units while they are so held in a manner determined by the Committee in its sole discretion; provided, however, that no such dividends or dividend equivalents shall be paid or become payable to a Participant unless and until the Shares of Restricted Stock or Restricted Stock Units with respect to which the dividends or dividend equivalents are credited have become vested. The Committee may apply any additional accrual, forfeiture, or payout restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, Shares, Restricted Stock, or Restricted Stock Units.

8.8 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Restricted Stock and/or Restricted Stock Units following termination of the Participant’s employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock or Restricted Stock Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

8.9 Section 83(b) Election. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall promptly submit a copy of such election to the Company.

8.10 Minimum Vesting Period. No Award of Restricted Stock or Restricted Stock Units shall vest in whole or in part in less than one (1) year following the date of grant of such Award. Notwithstanding the foregoing sentence, the Committee shall have the power and the discretion to provide for vesting in less than one (1) year following the date of grant in the event a Participant’s employment or other service as an Employee, Director or Consultant terminates due to death or disability or following a Change in Control, and to provide for vesting in less than one (1) year following the date of grant for

Awards that in the aggregate (including any Performance Shares, Performance Units and Stock-Based Awards that vest less than one (1) year from the date of grant and Options and SARs exercisable less than one (1) year from the date of grant) are limited to a number of Shares that does not exceed five percent (5%) of the Share Authorization set forth in Section 4.1.

Article 9. Performance Shares and Performance Units

9.1 Grant of Performance Shares and Performance Units. Subject to the terms of the Plan, Performance Shares and/or Performance Units may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

9.2 Value of Performance Shares and Performance Units. Each Performance Share shall have an initial value equal to the FMV of a Share on the date of grant. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Committee shall set Performance Measures in its discretion which, depending on the extent to which they are met, will determine the value and/or number of Performance Shares/Performance Units that will be paid out to the Participant.

9.3 Earning of Performance Shares and Performance Units. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Shares/Performance Units shall be entitled to receive payout on the value and number of Performance Shares/Performance Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved. Notwithstanding the foregoing, the Company has the ability to require the Participant to hold the Shares received pursuant to such Award for a specified period of time.

9.4 Form and Timing of Payment of Performance Shares and Performance Units. Payment of earned Performance Shares/Performance Units shall be as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Shares/Performance Units in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance Shares/Performance Units as soon as practicable after the end of the applicable Performance Period, but in no event later than 2 ½ months following the end of the calendar year in which such Performance Period ends; provided, however, that any Shares may be granted subject to restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

9.5 Dividend Equivalents. At the discretion of the Committee, Participants holding Performance Shares may be credited with dividend equivalents corresponding to dividends declared with respect to the Shares in a manner determined by the Committee in its sole discretion; provided, however, that no such dividend equivalents shall be paid or become payable to a Participant unless and until the Performance Shares with respect to which the dividend equivalents are credited have become vested. Such dividend equivalents may be subject to additional accrual, forfeiture, or payout restrictions as determined by the Committee in its sole discretion.

9.6 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Performance Shares and/or Performance Units following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions

shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Performance Shares or Performance Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

9.7 Nontransferability. Except as otherwise provided in a Participant's Award Agreement, Performance Shares/Performance Units may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or to a revocable trust established by and for the Participant. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during his or her lifetime only by such Participant or by such Participant's revocable trust.

9.8 Minimum Vesting Period. No Performance Shares or Performance Units shall vest in whole or in part in less than one (1) year following the date of grant of such Awards. Notwithstanding the foregoing sentence, the Committee shall have the power and the discretion to provide for vesting in less than one (1) year following the date of grant in the event a Participant's employment or other service as an Employee, Director or Consultant terminates due to death or disability or following a Change in Control, and to provide for vesting in less than one (1) year following the date of grant for Awards that in the aggregate (including any Restricted Stock, Restricted Stock Units and Stock-Based Awards that vest less than one (1) year from the date of grant and Options and SARs exercisable less than one (1) year from the date of grant) are limited to a number of Shares that does not exceed five percent (5%) of the Share Authorization set forth in Section 4.1.

Article 10. Stock-Based Awards

10.1 Stock-Based Awards. The Committee may grant other types of equity-based or equity-related Awards (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may entail the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

10.2 Value of Stock-Based Awards. Each Stock-Based Award shall have a value based on the value of a Share, as determined by the Committee. The Committee may establish performance goals in its discretion. If the Committee exercises its discretion to establish performance goals, the number and/or value of Stock-Based Awards that will be paid out to the Participant will depend on the extent to which the performance goals are met.

10.3 Earning of Stock-Based Awards. Subject to the terms of this Plan, the holder of Stock-Based Awards shall be entitled to receive payout on the number and value of Stock-Based Awards earned by the Participant, to be determined as a function of the extent to which applicable performance goals, if any, have been achieved.

10.4 Form and Timing of Payment of Stock-Based Awards. Payment of earned Stock-Based Awards shall be as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Stock-Based Awards in the form of cash or in Shares (or in a combination thereof) that have an aggregate FMV equal to the value of the earned

Stock-Based Awards. Such Shares may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

10.5 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to receive Stock-Based Awards following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Stock-Based Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

10.6 Nontransferability. Except as otherwise provided in a Participant's Award Agreement, Stock-Based Awards may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or to a revocable trust established by and for the Participant. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant or by such Participant's revocable trust.

10.7 Dividend Equivalents. At the discretion of the Committee, Participants holding Stock-Based Awards may be credited with dividend equivalents corresponding to dividends declared with respect to the Shares in a manner determined by the Committee in its sole discretion; provided, however, that no such dividend equivalents shall be paid or become payable to a Participant unless and until the Stock-Based Award with respect to which the dividend equivalents are credited have become vested. Such dividend equivalents may be subject to additional accrual, forfeiture, or payout restrictions as determined by the Committee in its sole discretion.

10.8 Minimum Vesting Period. No Stock-Based Award shall vest in whole or in part in less than one (1) year following the date of grant of such Award. Notwithstanding the foregoing sentence, the Committee shall have the power and the discretion to provide for vesting in less than one (1) year following the date of grant in the event a Participant's employment or other service as an Employee, Director or Consultant terminates due to death or disability or following a Change in Control, and to provide for vesting in less than one (1) year following the date of grant for Awards that in the aggregate (including any Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units that vest less than one (1) year from the date of grant and Options and SARs exercisable less than one (1) year from the date of grant) are limited to a number of Shares that does not exceed five percent (5%) of the Share Authorization set forth in Section 4.1.

Article 11. Performance Measures

The Committee shall determine the Performance Measures upon which the payment or vesting of Performance Shares, Performance Units and/or any other performance-based Award are to be made.

Any Performance Measure(s) may be designated to apply on a "core" basis, where at the discretion of the Committee certain non-recurring items may be excluded for purposes of determining the attainment of the Performance Measure(s), or an expanded basis, where at the discretion of the Committee additional items may be included for purposes of determining the attainment of the Performance Measure(s). In addition, any Performance Measure(s) may be used to measure the

performance of the Company as a whole, or any subsidiary, affiliate or business unit of the Company, or any combination thereof, as the Committee may deem appropriate, or as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate. The Committee also has the authority to provide for accelerated vesting of any Award that is based on the achievement of Performance Measures, without regard to whether such Performance Measures have been achieved.

Article 12. Rights of Employees and Consultants

12.1 Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment or other service relationship at any time, nor confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Company or any Subsidiary.

For purposes of the Plan, transfer of employment of a Participant between the Company and any Subsidiary or between Subsidiaries shall not be deemed a termination of employment. Additionally, the Committee shall have the ability to stipulate in a Participant's Award Agreement that a transfer to a company that is spun-off from the Company shall not be deemed a termination of employment with the Company for purposes of the Plan until the Participant's employment is terminated with the spun-off company.

12.2 Participation. No Director, Employee or Consultant shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

12.3 Rights as a Shareholder. A Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

Article 13. Change in Control

Subject to the requirements and limitations of Section 409A of the Code, if applicable, the Board or the Committee may provide for any one or more of the following consequences of Change in Control on Awards:

13.1 Accelerated Vesting. In its discretion and upon such conditions and to such extent as it shall determine, the Board or the Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate for acceleration of the exercisability and/or vesting of each or any outstanding Award or portion thereof and/or any Shares acquired pursuant thereto upon a Change in Control in connection with either (a) the termination of the Participant's employment or other service relationship by the Company without Cause or by the Participant for a good reason immediately prior to, upon, or following such Change in Control or (b) the failure of the Acquiror to assume, continue or substitute for such Award pursuant to Section 13.2. Any such accelerated vesting of Performance Shares or Performance Units shall not exceed the greater of (x) the number of Shares that would be earned and vested based upon the Company's satisfaction of the applicable Performance Measures through the date of the Change in Control, if the Performance Period ended on such date, or (y) a prorated amount of the maximum or target number of Shares subject to the Award based upon the ratio of the number of days elapsed in the Performance Period prior to the Change in Control to the total number of days in the Performance Period.

13.2 Assumption, Continuation or Substitution of Awards. In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the “Acquiror”), may, without the consent of any Participant, assume or continue the Company’s rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror’s stock. For purposes of this Section, if so determined by the Board or the Committee, in its discretion, an Award or any portion thereof shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each Share subject to such portion of the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a Share on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration is not solely common stock of the Acquiror, the Board or the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise of the Award for each Share to consist solely of common stock of the Acquiror equal in Fair Market Value to the per Share consideration received by holders of Stock pursuant to the Change in Control. If any portion of such consideration may be received by holders of Stock pursuant to the Change in Control on a contingent or delayed basis, the Board or the Committee may, in its discretion, determine such Fair Market Value per Share as of the time of the Change in Control on the basis of the Board’s or the Committee’s good faith estimate of the present value of the probable future payment of such consideration. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control. Notwithstanding the foregoing, Shares acquired upon exercise of an Award prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such Shares shall continue to be subject to all applicable provisions of the Award Agreement evidencing such Award except as otherwise provided in such Award Agreement.

13.3 Cash-Out of Outstanding Awards. The Board or the Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested Share (and each unvested Share, if so determined by the Board or the Committee) subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per Share in the Change in Control, reduced (but not below zero) by the exercise price or purchase price per Share, if any, under such Award. If any portion of such consideration may be received by holders of Stock pursuant to the Change in Control on a contingent or delayed basis, the Board or the Committee may, in its sole discretion, determine such Fair Market Value per Share as of the time of the Change in Control on the basis of the Board’s or the Committee’s good faith estimate of the present value of the probable amount of future payment of such consideration. In the event such determination is made by the Board or the Committee, an Award having an exercise or purchase price per Share equal to or greater than the Fair Market Value of the consideration to be paid per Share in the Change in Control may be canceled

without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

Article 14. Amendment, Modification, Suspension, and Termination

14.1 Amendment, Modification, Suspension, and Termination. The Committee or Board may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan in whole or in part, provided that any such alteration, amendment, modification, suspension or termination of the Plan pursuant to this Article 14 shall be effected in a manner compliant with Section 409A of the Code. No amendment of the Plan shall be made without shareholder approval (a) that would increase the Share Authorization under Section 4.1 (other than adjustments pursuant to Section 4.2), (b) that would alter or delete Section 14.5, (c) for which and to the extent that shareholder approval is required by law, regulation, or stock exchange rule, and (d) under such other circumstances as the Board or the Committee may determine.

14.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.2 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan.

14.3 Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

14.4 Clawback and Other Provisions for Recovery or Termination of Awards. Notwithstanding anything else stated in this Plan or any Award Agreement, this Plan and each Award Agreement shall be subject to the following conditions:

(a) Any term or provision in this Plan that is interpreted, deemed or found by any governmental agency or by the Company to be in violation or potential violation of any law, guidance, rule, regulation, regulatory action, order or decree (hereinafter individually and collectively referred to as "Law") will be modified to conform to the Law.

(b) Any bonus, retention award, incentive compensation or any other payment paid under this Plan or any Award Agreement is subject to recovery (claw back) by any governmental agency or by the Company to the extent required by Law if it is based on materially inaccurate statements of earnings, revenues or gains, or any performance criteria/metric or other criteria or metric that is found by any governmental agency or the Company to be materially inaccurate (or is otherwise required by Law) or to have encouraged unnecessary and/or excessive risk taking.

(c) Payments that require regulatory or other approval are prohibited unless and until such approval is obtained, and the Company shall have no obligation to seek such approval.

(d) The Company will adhere to all requirements required under applicable Law relating to, among other things, excessive compensation, golden parachute payments and risk management.

14.5 No “Repricing” Without Shareholder Approval. Except as provided in Section 4.2, neither the Board nor the Committee shall have the authority: (i) to reduce the Option Price, Grant Price or other purchase or strike price of any outstanding Option or SAR, or (ii) to cancel any outstanding Option or SAR that has an Option Price or Grant Price greater than the current Fair Market Value in exchange for cash or any other Award under the Plan (except in the event of a Change in Control), unless the shareholders of the Company have approved such an action within twelve (12) months prior to such an event.

Article 15. Withholding

15.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign (including the Participant’s FICA obligation), required by law or regulation to be withheld with respect to any taxable event arising or as a result of this Plan.

15.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock or Restricted Stock Units, or upon the achievement of performance goals related to Performance Shares, or any other taxable event arising as a result of Awards granted hereunder, the Company may require or Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by tendering Shares then owned by the Participant or by having the Company withhold Shares that otherwise then would be issued to the Participant, in either case having a FMV on the date the tax is to be determined equal to the tax required to be withheld, including any amount that the Committee agrees may be withheld at the time the election is made. If Shares are tendered or Shares that otherwise would be issued are withheld by the Company to satisfy the tax withholding, the Shares applied to such tax withholding shall have a FMV that is no greater than the maximum statutory federal, state or local tax rates that could apply to the Award in the jurisdictions applicable to the Participant on the date that the amount of tax to be withheld is to be determined, or such other limitation as may be required by then applicable accounting rules and regulations to maintain favorable equity accounting treatment for the Award. All elections shall be irrevocable, made in writing, and signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

Article 16. Successors

All obligations of the Company under the Plan with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 17. General Provisions

17.1 Forfeiture Events. The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for Cause, violation of material Company and/or Subsidiary policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company or any Subsidiary.

17.2 Legend. The certificates for Shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

17.3 Delivery of Title. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

(a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and

(b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

17.4 Investment Representations. The Committee may require each Participant receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the Participant is acquiring the Shares for investment and without any present intention to sell or distribute such Shares, and any further representations and warranties that may be required by applicable state or federal securities laws.

17.5 Employees Based Outside of the United States. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in any country in which the Company or any Subsidiary operate or have Directors, Employees or Consultants, the Committee, in its sole discretion, shall have the power and authority to:

(a) Determine which Subsidiaries shall be covered by the Plan;

(b) Determine which Directors, Employees and Consultants outside the United States are eligible to participate in the Plan;

(c) Modify the terms and conditions of any Award granted to any Director, Employee or Consultant outside the United States to comply with applicable foreign laws:

(d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 17.5 by the Committee shall be attached to this Plan document as appendices; and

(e) Take any action, before or after an Award is made that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law, or governing statute or any other applicable law.

17.6 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

17.7 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company or any Subsidiary may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company or any Subsidiary and any Participant, beneficiary, legal representative, or any other person. To the extent that any person acquires a right to receive payments from the Company or any Subsidiary under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not intended to be subject to ERISA.

17.8 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise terminated.

17.9 Retirement and Welfare Plans. The Awards under this Plan will not be included as “compensation” for purposes of computing benefits payable to any Participant under the Company’s retirement plans (both qualified and nonqualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant’s benefit.

17.10 Information. The Company shall deliver to any Participant a copy of the Plan. In addition, if the aggregate sales price or amount of securities sold by the Company under this Plan during any consecutive 12-month period exceeds \$10 million (or such other amount required by Rule 701), the Company must deliver the information required by Rule 701 to each Participant a reasonable period of time before the date of sale.

Article 18. Legal Construction

18.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

18.2 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

18.3 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental

agencies or national securities exchanges as may be required. The Company shall receive the consideration required by law for the issuance of Awards under the Plan.

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18.4 Securities Law Compliance. Prior to registration of the Company's common stock under the Exchange Act, the Plan and the Awards granted thereunder shall be administered in compliance with Rule 701 and all applicable securities rules under the California General Corporation Law, including, but not limited to, requirements to deliver appropriate disclosure requirements and financial statements to recipients of Awards, and any action which shall be taken or provision of the Plan which is prohibited under Rule 701 (until registration of the Company's common stock under Section 12 of the Exchange Act) or applicable California and state securities laws shall be void. Securities issued pursuant to the Plan shall be considered "restricted securities" as defined in Rule 144 adopted by the Securities and Exchange Commission under the Securities Act of 1933, as amended. Following the registration of the Company's common stock under Section 12 of the Exchange Act, the Company may register Shares allotted pursuant to the exercise of an Award with the United States Securities and Exchange Commission or to effect compliance with the registration, qualification, and listing requirements of any national or foreign securities laws, stock exchange, or automated quotation system. With respect to Insiders, following registration of the Company's common stock under Section 12 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply following registration, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee. The Company may impose such additional conditions and restrictions as are necessary with respect to any Award as are necessary to comply with applicable federal and state securities laws.

18.5 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of California, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of California, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

18.6 Section 409A of the Code. It is the Company's intent that Awards and payments under the Plan are exempt from, and do not constitute "deferred compensation" subject to, Section 409A of the Code, or are compliant with Section 409A of the Code, and that the Plan shall be interpreted and administered accordingly to the fullest extent possible. Each "payment" in any series of payments under an Award shall be considered a separate payment for purposes of Section 409A of the Code. If and to the extent that any payment is determined by the Company to constitute "non-qualified deferred compensation" subject to Section 409A of the Code and is payable hereunder to a Participant by reason of his termination of employment, then (a) such payment or benefit shall be made or provided to the Participant only upon a "separation from service" as defined for purposes of Section 409A of the Code under applicable regulations and (b) if the Participant is a "specified employee" (within the meaning of

Section 409A of the Code and as determined by the Company), such payment shall not be made or provided before the date that is six months after the date of the Participant's separation from service (or his earlier death). Neither the Company nor its affiliates shall have any liability to any Participant, Participant's spouse or other beneficiary of any Participant's spouse or other beneficiary of any Participant or otherwise if the Plan or any amounts paid or payable hereunder are subject to the additional tax and penalties under Section 409A of the Code.

18.7 Shareholder Approval. The Plan and any increase in the maximum aggregate number of Shares issuable hereunder as provided in Section 4.1 shall be submitted for approval by a majority of the outstanding securities of the Company entitled to vote no later than twelve (12) months after the Effective Date with respect to approval of the Plan or after the effective date of any such increase. Awards granted prior to security holder approval of the Plan or in excess of the authorized Shares previously approved by the security holders shall become exercisable no earlier than the date of security holder approval of the Plan or of such increase in authorized Shares, as the case may be, and such Awards shall be rescinded if such security holder approval is not received in the manner described in the preceding sentence.

