



**5401 Six Forks Road
Raleigh, North Carolina 27609**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 20, 2023**

To the Shareholders of Dogwood State Bank:

The Annual Meeting of the Shareholders of Dogwood State Bank, a North Carolina bank, will be held at 5401 Six Forks Road, Raleigh, North Carolina on Tuesday, June 20, 2023 at 2:00 p.m. for the following purposes:

- to elect three directors (Steve Jones, Scott Custer, and Robin Perkins) to serve for three-year terms expiring in 2026,
- to approve the amendment and restatement of the Dogwood State Bank 2019 Omnibus Incentive Plan, and
- to act upon such other matters as may properly come before the meeting or any adjournment thereof.

The Board of Directors has set the close of business on May 1, 2023 as the record date for determining shareholders who are entitled to notice of and to vote at the Annual Meeting.

You are invited to attend the Annual Meeting in person. Whether or not you plan to attend, please complete, date, and sign the enclosed proxy card and promptly return in the postage-paid return envelope, so that your shares will be represented at the Annual Meeting. If you attend the Annual Meeting in person, you may revoke a previously submitted proxy at the Annual Meeting and vote in person. You may also choose to vote by internet or telephone; instructions for which are provided on the enclosed proxy card. You may revoke your proxy at any time before the proxy is exercised.

A copy of our Report on Financial Statements for the years ended December 31, 2022 and 2021 is enclosed for your information and review.

By Order of the Board of Directors,

David B. Therit
Chief Financial Officer and
Corporate Secretary

Raleigh, North Carolina
May 4, 2023



**5401 Six Forks Road
Raleigh, North Carolina 27609**

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

This proxy statement is dated May 4, 2023, and is being furnished to our shareholders by the Board of Directors in connection with our solicitation from record holders of our Voting Common Stock of proxy appointments in the form of the enclosed proxy card for use at the 2023 Annual Meeting of our shareholders and at any adjournments of the meeting.

When and where is the Annual Meeting?

- **When:** Tuesday, June 20, 2023 at 2:00 p.m. EDT
- **Where:** 5401 Six Forks Road, Raleigh, North Carolina 27609

Who may vote at the Annual Meeting?

The Board of Directors has set the close of business on May 1, 2023, as the “Record Date” to determine which holders of our Voting Common Stock are entitled to vote at the Annual Meeting and how many shares they are entitled to vote. Our voting securities are the 8,883,968 shares of Voting Common Stock that were outstanding on the Record Date. We also have outstanding 5,444,920 shares of Non-Voting Common Stock. Record holders of both our Voting Common Stock and Non-Voting Common Stock may attend the Annual Meeting, but you must have been a record holder of our Voting Common Stock on the Record Date in order to vote in person or by proxy at the meeting.

How many votes may I cast at the Annual Meeting?

You may cast one vote for each share of Voting Common Stock you held of record on the Record Date on each director to be elected and on each other matter voted on by shareholders at the Annual Meeting. Shareholders may not vote cumulatively for directors. The proxy card accompanying this proxy statement gives the proxies, or any substitutes appointed by them, the discretionary authority to vote the shares they represent.

What proposals will be voted on at the Annual Meeting?

At the Annual Meeting, record holders of our Voting Common Stock will be asked to elect three directors for three-year terms (see “*ELECTION OF DIRECTORS*”) and approve the amendment and restatement of the Dogwood State Bank 2019 Omnibus Incentive Plan (see “*APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE DOGWOOD STATE BANK 2019 OMNIBUS INCENTIVE PLAN*”). Record holders of Voting Common Stock also will vote on such other matters as may properly come before the meeting. Shares of our Non-Voting Common Stock may not be voted on any matters at the meeting.

How does the Board of Directors recommend that I vote?

Our Board of Directors unanimously recommends that holders of our Voting Common Stock vote **“FOR”** each of the three nominees named in this proxy statement for election as directors and **“FOR”** approval of the amendment and restatement of the Dogwood State Bank 2019 Omnibus Incentive Plan.

In this proxy statement, except where the context indicates otherwise:

- “you,” “your,” and similar terms refer to the shareholder receiving this proxy statement; and
- “the Bank,” and “we,” “us,” “our” and similar terms refer to Dogwood State Bank.

ELECTION OF DIRECTORS

General

Our Bylaws provide that the number of directors shall not be less than five nor more than 25 as from time-to-time may be fixed by the shareholders or by the Board of Directors. The number of directors is currently fixed at 10 and is divided into three classes designated as Class I, Class II, and Class III. Directors whose term expires at an annual meeting continue to serve until such time as his or her successor has been duly elected and qualified, unless his or her position on the Board of Directors is abolished by action taken to reduce the size of the Board of Directors prior to that annual meeting.

The directors in each class are elected to hold office for a term of three years. The current directors are listed and classified as indicated below:

Class I (Term Expires 2023)	Class II (Term Expires 2024)	Class III (Term Expires 2025)
Scott Custer (Chairman)	David Brody	Tom Cestare
Steve Jones	Marc McConnell	Martin Friedman
Robin Perkins	Fielding Miller	Sepi Saidi
		Richard Urquhart

Nominees

The three current Class I directors have been nominated by the Board for re-election at the Annual Meeting for new three-year terms. If, before the Annual Meeting, any nominee becomes unable or unwilling to serve as a director for any reason, the Board of Directors may name a substitute nominee. If the Board elects not to name a substitute nominee, the number of our directors, and the number of directors to be elected at the Annual Meeting, will be reduced accordingly.

Set forth below is information about the three nominees for Class I director and the qualifications, attributes and skills that led the Board to nominate them for election.

Scott Custer. Scott Custer has served as executive chairman of our Board of Directors since May 2019. Mr. Custer currently chairs the Board's Executive Committee and serves on its Nominating, Compensation, and Corporate Governance Committee and its Risk Committee. Mr. Custer is a well-known, highly experienced banking executive and was previously president at Live Oak Banking Company ("Live Oak"). Prior to Live Oak, he was a director and chief executive officer at Yadkin Financial Corporation ("Yadkin"). Prior to Yadkin, Mr. Custer was a director and chief executive officer at both VantageSouth Bankshares, Inc. ("VantageSouth") and Piedmont Community Bank Holdings, Inc. ("Piedmont"), which were merged into Yadkin in 2014. Prior to leading VantageSouth and Piedmont, he was chairman and chief executive officer at RBC Bank (USA). Mr. Custer graduated from the College of William and Mary where he previously served on the Board of Trustees.

Steve Jones. Steve Jones is currently chief executive officer and has served on our Board of Directors since May 2019. Mr. Jones currently serves on its Executive Committee, its Nominating, Compensation, and Corporate Governance Committee, and its Risk Committee. Mr. Jones is a well-known, highly experienced banking executive with experience building banking teams at institutions of various sizes and was previously executive vice president and chief banking officer of First National Bank's Carolinas market. Prior to First National Bank, he was executive vice president and chief banking officer at Yadkin Bank ("Yadkin"), which was merged into First National Bank in 2017. Prior to Yadkin, Mr. Jones was president at VantageSouth Bank ("VantageSouth"), which was merged into Yadkin Bank in 2014. Prior to VantageSouth, he held a variety of leadership roles at RBC Bank (USA) ("RBC"). Prior to RBC, Mr. Jones held various banking roles at Wachovia Bank. Mr. Jones graduated from East Carolina University where he previously served as chairman of the Board of Trustees.

Robin Perkins. Robin Perkins has served on our Board of Directors since May 2019 and currently serves on its Executive Committee, its Nominating, Compensation, and Corporate Governance Committee, its Audit Committee, and chairs its Risk Committee. Mr. Perkins is currently chief executive officer at Gildan Frontier Yarns, Inc. and was previously president at Frontier Spinning Mills. Mr. Perkins has previous banking experience from his past service on the Board of Directors of Capital Bank. Mr. Perkins graduated from North Carolina State University.

***Our Board of Directors unanimously recommends that you vote
“FOR” each of the three nominees named above.***

The three nominees receiving the highest numbers of votes will be elected.

CORPORATE GOVERNANCE

Director Independence

Generally, an independent director is one who is free from relationships or other factors that might impair his or her ability to exercise independent judgment in carrying out duties as a director. We believe that eight of our 10 directors, and each member of our Audit Committee, are independent directors. Mr. Custer and Mr. Jones are not considered to be independent as a result of their employment relationship with the Bank.

Board Leadership Structure

The Board of Directors performs its oversight role through various committees whose members are appointed by the Board. The Board elects a Chairman who is charged with setting the agenda for meetings of our Board of Directors and presiding over those meetings. However, as described below under “*COMMITTEES OF OUR BOARD OF DIRECTORS*,” matters pertaining to the selection and supervision of the Bank’s independent accountants and oversight of internal control over financial reporting are subject to the review and recommendation of the Audit Committee of the Board, which is comprised solely of independent directors. Matters such as compensation and selection of nominees for election as directors are subject to review and recommendation of standing committees that have a majority of independent directors, with approval of committee decisions subject to review by the entire Board of Directors. The Board believes our leadership structure is appropriate for a bank of our size, complexity, and location.

Committees of the Board of Directors

Our business and affairs are under the direction of the Board of Directors. Set forth below are the standing committees of the Board of Directors, the principal functions of such committees and the current members of each committee.

Executive Committee. The Executive Committee currently consists of the following members: Messrs. Custer (Chair), Jones, Brody, Perkins, and Urquhart. The Executive Committee is empowered and authorized to exercise the full authority of the Board of Directors (except as may be limited by applicable law) at any time that the Board of Directors is not in session. All actions so taken by the Executive Committee must be reported to the Board of Directors at its next regular meeting.

Nominating, Compensation, and Corporate Governance Committee. The Nominating, Compensation, and Corporate Governance Committee currently consists of the following members: Messrs. Brody (Chair), Jones, Custer and Perkins. This committee establishes, reviews, and interprets corporate governance policies and guidelines, evaluates the qualifications of candidates for positions on the Board, nominates new and replacement members of the Board, and recommends Board committee composition. This committee also serves as the compensation committee of the Board and, in that capacity, determines the annual and long-term, equity-based compensation of the Bank’s executive officers.

Audit Committee. The Audit Committee currently consists of Messrs. Urquhart (Chair), Perkins, Brody, and Ms. Saidi. All of the Directors on the Audit Committee are non-employee Directors. The Audit Committee meets on an as-needed basis, but not less than quarterly, and (i) oversees the independent auditing of the Bank; (ii) arranges for periodic reports from the independent auditors, from management of the Bank, and from the internal auditor of the Bank in order to assess the impact of significant regulatory and accounting changes and developments; (iii) advises the Board regarding significant accounting and regulatory developments; (iv) reviews the Bank’s policies regarding compliance with laws and regulations, conflicts of interest and employee misconduct and reviews related situations; (v) develops and implements the Bank’s policies regarding internal and external auditing and appoints, meets with and oversees the performance of those employed in connection with internal and external auditing; and (vi) performs such other duties as may be assigned to it by the Board.

Risk Committee. The Risk Committee currently consists of Messrs. Perkins (Chair), Jones, Cestare, Custer, Brody, Friedman, and McConnell. The Risk Committee monitors the performance of the Bank’s loan portfolio and compliance with all general loan policies and oversees the Bank’s major financial risks, including interest rate risk, liquidity and funding risk, market risk and financial risks (including credit risk) related to the Bank’s investment security portfolio. The Committee also oversees the Bank’s capital management and planning processes, reviews

financial strategies for achieving financial objectives and financial performance results, oversees reputation risk, and reports the committee's conclusions regarding these matters to the full Board.

Attendance by Directors at Meetings

Board of Directors Meetings. Our Board of Directors met five times during 2022. Each of our current directors who served as directors during 2022 attended at least 75% of the aggregate number of meetings held by our Board and meetings of any committees on which they served.

Annual Meetings. Attendance by our directors at Annual Meetings of our shareholders gives directors an opportunity to meet, talk with, and hear the concerns of shareholders who attend those meetings, and it gives those shareholders access to our directors that they may not have at any other time. Our Board of Directors recognizes that our outside directors have their own business interests and are not our employees, and that it is not always possible for them to attend Annual Meetings. However, the Board believes that attendance by directors at our Annual Meetings is beneficial to us and to our shareholders. As a result, our directors are strongly encouraged to attend each Annual Meeting whenever possible. Four of our 10 current directors participated in our last Annual Meeting.

Communications with Our Board

Our Board of Directors encourages our shareholders to communicate with it regarding their concerns and other matters related to our business. While the Board has not established a written policy for shareholder communications, you may mail your communications to the Board addressed as follows:

Board of Directors
Attention: Corporate Secretary
Dogwood State Bank
5401 Six Forks Road
Raleigh, NC 27609

You should indicate in an "Attention" line whether your communication is directed to the entire Board of Directors, to a particular committee of the Board or its Chairman, or to one or more individual directors. We will forward your communication on to the Chairman or, if the communication is directed to an individual director or Board committee, to that director or to the Chairman of that committee. We do not screen communications directed to the Board or individual directors.

EXECUTIVE OFFICERS

We consider the officers listed below to be our current executive officers. Each officer serves at the pleasure of the Board of Directors until his or her removal, resignation, retirement, death, or disqualification, or until his or her successor is duly elected and qualified.

Name	Age	Position	Previous Business Experience
Steve Jones	54	Chief Executive Officer	<ul style="list-style-type: none"> • Chief banking officer of Yadkin Bank • President of VantageSouth Bank • Various leadership positions at RBC Bank (USA)
Scott Custer	66	Executive Chairman	<ul style="list-style-type: none"> • President of Live Oak Banking Company • Chief executive officer of Yadkin Bank and VantageSouth Bank • Chairman and chief executive officer of RBC Bank (USA)
David Therit	44	Chief Financial Officer	<ul style="list-style-type: none"> • Treasurer and chief accounting officer of Yadkin Bank and VantageSouth Bank • Various finance leadership positions at Capital Bank • Various audit & assurance leadership positions at Deloitte
Natasha Austin	42	Chief Operating Officer	<ul style="list-style-type: none"> • Director of marketing and corporate communications of Yadkin Bank • Various marketing leadership positions in the automotive industry, including Porsche Cars North America • Faculty member at the North Carolina School of Banking
Chris Kwiatkowski	51	President of Government Guaranteed Lending	<ul style="list-style-type: none"> • President of government guaranteed lending at Yadkin Bank and VantageSouth Bank • Various government guaranteed lending leadership positions at Banco Popular North America and NationsBank
Michael Johnson	54	Chief Credit Officer	<ul style="list-style-type: none"> • Commercial credit officer at Capital Bank • Various credit risk leadership positions at CommunityOne Bank, Fifth Third Bank, US Bank, and Sky Bank

TRANSACTIONS WITH RELATED PERSONS

We have had, and expect to have in the future, banking transactions in the ordinary course of our business with certain of our directors, executive officers, principal shareholders and our other related persons. Any such transactions are and will be on substantially the same terms as those prevailing at the time for comparable transactions with persons not related to us.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Set forth below is certain information regarding those shares of Common Stock owned beneficially by the directors and executive officers as a group and each shareholder with beneficial ownership of 5% or more of the Bank's total outstanding common shares as of the Record Date.

Name of Beneficial Owner	Shares of Voting Common Stock	Percent of Class	Shares of Non-Voting Common Stock*	Percent of Class*	Total Beneficial Ownership	Percent of Total Common Stock
Directors and executive officers as a group (10 people - excludes directors affiliated with institutional investors listed below)	1,483,000	16.06%	-	0.00%	1,483,000	9.67%
Patriot Financial	468,930	5.08%	2,106,070	34.48%	2,575,000	16.78%
FJ Capital	455,053	4.93%	1,193,847	19.55%	1,648,900	10.75%
T. Rowe Price	455,053	4.93%	1,064,656	17.43%	1,519,709	9.90%
Integrated Financial Holdings, Inc.	227,299	2.46%	871,601	14.27%	1,098,900	7.16%
United Bankshares, Inc.	227,299	2.46%	871,601	14.27%	1,098,900	7.16%

* Percentages are based upon 8,883,968 shares of Voting Common Stock and 6,107,775 shares of Non-Voting Common Stock as of the date of this proxy statement. Non-voting shares include outstanding warrants to purchase 662,855 shares of non-voting Common Stock held by certain investors in our recapitalization that have a five-year term and an exercise price of \$10.00 per share.

**APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE
DOGWOOD STATE BANK 2019 OMNIBUS INCENTIVE PLAN**

General

On December 8, 2022, our Board of Directors (the “Board”) adopted and approved, subject to shareholder approval, the Dogwood State Bank 2019 Omnibus Incentive Plan, as amended and restated (the “Amended Plan” or the “plan”). The Amended Plan would amend and restate the Dogwood State Bank 2019 Omnibus Incentive Plan that was originally adopted in 2019. If approved by shareholders, the Amended Plan will become effective as of the date of shareholder approval.

The plan provides for the grant of stock options, restricted stock awards, restricted stock units and other equity-based awards to our officers, employees and directors. A total of 500,000 shares of Voting Common Stock have been reserved for the issuance of awards under the Plan, subject to the anti-dilution provisions of the plan. The following summary of the material features of the Amended Plan is qualified in its entirety by reference to the copy of the plan which is attached as Appendix A to this proxy statement and is incorporated by reference into this summary.

Executive Summary

The following is a summary of the key provisions of the Amended Plan, including important features that enable us to maintain sound governance practices in granting awards.

- **Award Types:** The following types of awards will be available for issuance under the Amended Plan:
 - stock options;
 - restricted stock awards;
 - restricted stock units; and
 - other stock-based awards.
- **Eligible Participants:** All officers, directors and employees of the Bank.
- **Shares Reserved under the Amended Plan:** A total of 500,000 shares of the Bank’s Voting Common Stock are reserved for issuance under the Amended Plan. The number of shares available for issuance under the Amended Plan is subject to adjustment to reflect stock splits, stock dividends and similar events.
- **Shares Reserved under the Amended Plan as a Percentage of the Aggregate Outstanding Voting Common Stock and Non-Voting Common Stock as of May 4, 2023:** 3.3%
- **Mainly Three-Year Vesting Requirement:** Each award granted under the Amended Plan will be subject to vesting over a period of not less than three years following the date of grant of such award, unless otherwise determined by the plan administrator with respect to a specific award. Our historical practice, which we will continue for the Amended Plan, has been to grant awards with a minimum vesting requirement of between three and five years.
- **No Discounted Stock Options:** The Amended Plan prohibits the grant of stock options with an exercise price less than the fair market value of our Voting Common Stock on the grant date.
- **No Repricing of Stock Options:** The Amended Plan prohibits the repricing of stock options without shareholder approval.
- **Clawback and Forfeiture Provisions:** The Amended Plan subjects all awards made under the plan to recoupment or clawback as required by law, government regulation, stock exchange listing rule or clawback policy in effect at the Bank. The Amended Plan also provides for the possible forfeiture of outstanding awards upon a participant’s termination for “cause” (as defined in the Amended Plan).

- **Term of the Amended Plan:** No awards may be granted under the Amended Plan after May 5, 2029, the termination date of the plan.

Purpose of the Amendments

The primary purpose of amending and restating the plan is to increase the number of shares available for future grants under the current version of our equity incentive plan. As originally approved, the plan provided for the issuance of up to 1,205,346 shares of Voting Common Stock for awards under the plan. As of May 4, 2023, we had 14,356 shares authorized and remaining available to be granted in connection with awards under the plan. We believe that increasing the number of shares reserved for issuance is necessary for us to continue to offer a competitive compensation program because equity incentive awards, designed to reward long-term growth and profitability, to align compensation with shareholder interests and to attract and retain highly qualified executives, are a fundamental component of our total compensation program. The Amended Plan also clarifies and updates certain terms and provisions of the existing plan.

In determining the number of shares to include in the Amended Plan, the Board considered anticipated equity usage over the next three to five years. The Board also considered our annual equity burn rate and total equity overhang under the plan. The Board believes the requested share authorization will be sufficient to provide competitive equity grants to eligible plan participants during the period range stated above.

If shareholders do not approve the Amended Plan, we may continue to grant awards under the existing plan, although the shares remaining available under the plan will not be sufficient for our anticipated future needs.

Purpose of the Amended Plan

The purpose of the Amended Plan is to enable our organization to attract and retain highly qualified personnel who will contribute to our success, and to provide incentives to plan participants to increase shareholder value and therefore further align the interests of the participants with those of the shareholders to benefit all of our shareholders. We believe that it is desirable to have the ability, through the Amended Plan, to attract such individuals through awards that provide additional incentive and reward opportunities, and further encourage stock ownership and proprietary interest in our organization.

Administration of the Amended Plan

The Amended Plan provides that it is to be administered by the Board. The Board will administer the Amended Plan and will have sole authority, in its discretion, to determine which officers, employees or directors will receive awards under the Amended Plan, the number of shares of Voting Common Stock to be subject to each award, and the forfeiture restrictions (as defined below) for each award. The Board will have such additional powers delegated to it under the Amended Plan, including the power to construe the plan and the award agreements executed with recipients of awards thereunder and to determine the terms, restrictions and provisions of each agreement. The Board may also correct any defect or supply any omission or reconcile any inconsistency in the Amended Plan or in any award agreement in the manner and to the extent it would deem expedient to carry it into effect. The determinations of the Board on these matters will be conclusive.

Shares Subject to the Amended Plan

The Amended Plan provides for awards of stock options, restricted stock, restricted stock units, stock appreciation rights, performance awards, performance units, phantom stock, dividend equivalents or other similar rights to purchase or acquire shares of our Voting Common Stock. The plan defines only the material terms of the stock option and restricted stock components. To date, we have only granted restricted stock awards to participants since the plan's inception. As mentioned above, we currently have no plans, proposals, or arrangements, written or otherwise, at this time to grant any awards under the Amended Plan.

Stock Options. The Amended Plan requires that stock options can only be issued at or above the fair market value per share on the date of grant. Stock options granted to participants under the plan may be either incentive stock

options (“ISOs”) under the provisions of Section 422 of the Internal Revenue Code, as amended and the regulation issued thereunder (the “Code”), or options that are not subject to the provisions of Section 422 of the Code (“Nonqualified Options”). Stock options entitle the recipient to purchase shares of Voting Common Stock at the exercise price specified in the award agreement. The plan administrator at its discretion determines the number of option shares, the term of the option, the exercise price (subject to the minimum price described above), the vesting schedule and performance conditions (if any), and any other terms and conditions. In the case of 10% shareholders who receive ISOs, the exercise price may not be less than 110% of the fair market value of the Voting Common Stock on the date of grant. An exception to each of these requirements may be made for options that we may grant in substitution for options held by employees of companies that we acquire. In such a case, the exercise price is adjusted to preserve the economic value of the employee’s stock option from his or her former employer. The aggregate maximum number of shares that may be issued pursuant to ISOs is 100 shares of our Voting Common Stock.

The Board will determine the periods during which the options will be exercisable. However, no option will be exercisable more than 10 years after the date of grant. Payment of the exercise price of any option may be made (i) in cash, (ii) by means of any cashless exercise procedure approved by the Board, (iii) by delivering shares of Voting Common Stock already owned by the option holder, (iv) by such other method as the Board may determine and permitted by applicable law, or (v) any combination of the foregoing.

Restricted Stock. Restricted Stock consists of shares of Voting Common Stock which are granted to a plan participant, subject to certain restrictions against disposition and certain obligations to forfeit such shares to us under certain circumstances. The restrictions, which may be different for each award, will be determined by the Board in its sole discretion.

Restricted stock awarded under the Amended Plan will be represented by a book-entry registered in the name of the participant. Unless otherwise provided in an award agreement, the participant will have the right to receive dividends, if any, with respect to such shares of restricted stock, to vote such shares and to enjoy all other shareholder rights, except that the participant may not sell, transfer, pledge or otherwise dispose of the restricted stock until the restrictions have expired. A breach of the terms and conditions established by the Board pursuant to an award will cause a forfeiture of the award. The Board expects that participants generally will not be required to make any payment for Voting Common Stock received pursuant to an award, except to the extent otherwise determined by the Board or required by law.

The Board, in its discretion, may set restrictions on awards based upon the achievement of performance goals. The Board also may, in its discretion, fully vest any or all equity awards awarded to a participant under an award and, upon such vesting, all vesting conditions or forfeiture restrictions applicable to the award will terminate. Any such action by the Board may vary among individual participants and may vary among awards held by any individual participant.

At the time any restricted stock award is made, we and the participant will enter into an equity award agreement setting forth the terms of the award and such other matters as the Board may determine to be appropriate. The terms and provisions of the award agreements need not be identical, and the Board may, in its sole discretion, amend an outstanding award agreement at any time in any manner that is not inconsistent with the provisions of the Amended Plan. The maximum number of shares that may be subject to awards granted to any one participant may not exceed 100% of the aggregate number of shares of Voting Common Stock that may be issued under the Amended Plan (as adjusted from time to time in accordance with the provisions of the plan).

Other Equity-Based Awards. Under the Amended Plan, awards of restricted stock units, stock appreciation rights, performance awards, performance units, phantom stock, dividend equivalents or other similar rights to purchase or acquire shares may be granted, subject to restrictions under applicable federal or state securities laws. These “other equity-based awards” may involve the transfer of actual shares to participants or payment in cash or otherwise of amounts based on the value of shares of our Voting Common Stock, if the conditions set forth in the award agreement are met. If the value of an other equity-based award is based on the appreciation of shares from an initial value determined as of the date of grant, then such initial value will not be less than the fair market value of a share of our Voting Common Stock on the date of grant of such award.

Minimum Vesting Period

Under the Amended Plan, and unless otherwise determined by the Board with respect to a specific award, each award granted under the plan will be subject to a minimum three-year vesting period from the date of grant. The Amended Plan's minimum vesting period provisions described above do not limit the Board's authority to accelerate vesting of any award.

Change in Control

Unless otherwise determined in an award agreement, in the event of a change in control (as defined in the Amended Plan): (i) each outstanding award will become fully vested and, if applicable, exercisable, (ii) the restrictions, payment conditions and forfeiture conditions applicable to any such award granted will lapse, and (iii) any performance conditions imposed with respect to awards will be deemed to be fully achieved.

Clawback

Awards granted under the Amended Plan will be subject to recovery, recoupment or clawback under any applicable law, government regulation or stock exchange listing rule, or a policy adopted by us pursuant to any such law, regulation or rule. In addition, we will have the right to recover from a participant awards (or amounts received in settlement or as proceeds thereof) in accordance with any other clawback policy adopted by us related to a financial restatement or otherwise.

Amendment and Termination of the Amended Plan

The Board may amend or terminate the Amended Plan at any time; provided, that shareholder approval will be required to (i) increase the total number of shares reserved for issuance under the Amended Plan, or (ii) change the class of recipients eligible to participate in the Amended Plan. No amendment shall adversely affect any of the rights of any holder of any award without the holder's consent. The Board may accept surrender of equity awards under the Amended Plan and grant new awards in substitution for them; provided, that the Board will not exchange underwater stock options or otherwise modify the exercise price or purchase price of any option or award that has the effect of being a repricing without prior shareholder approval. The Amended Plan shall terminate in any event 10 years after its effective date, but outstanding awards continue until they expire.

Authorized Shares

In the event of a stock dividend, stock split, reorganization, merger, recapitalization or other change affecting the Voting Common Stock, the Board will make proportionate adjustments with respect to (i) the aggregate number and kind of shares that may be issued under the Amended Plan, (ii) the number, kind and exercise price (or other cash or property) of shares issuable pursuant to each outstanding award made under the Amended Plan, and (iii) the maximum number and kind of shares that may be subject to awards granted to any one participant under the Amended Plan. Such adjustment authority of the Board is subject to the Amended Plan provisions governing a change in control.

If any award is forfeited, or if any option terminates, expires or lapses without being exercised, shares of Voting Common Stock subject to such awards will again be available for distribution in connection with awards under the Amended Plan. If the exercise price of any option is satisfied by delivering shares of Voting Common Stock to us (by either actual delivery or by attestation), only the number of shares of Voting Common Stock delivered to the participant net of the shares of Voting Common Stock delivered to us or attested to will be deemed delivered for purposes of determining the maximum numbers of shares of Voting Common Stock available for delivery under the Amended Plan. To the extent any shares of Voting Common Stock subject to an award are not delivered to a participant because such shares are used to satisfy an applicable tax-withholding obligation, such shares will not be deemed to have been delivered for purposes of determining the maximum number of shares of Voting Common Stock available for delivery under the Amended Plan.

Summary of Federal Income Tax Consequences

The following is a general summary of the federal income tax consequences under the Amended Plan. This summary does not address all matters that may be relevant to a particular participant based on his or her specific circumstances.

Nonqualified Stock Options. The grant of a Nonqualified Option will not result in taxable income to a participant. The participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares acquired over the exercise price for those shares, and we will be entitled to a corresponding deduction. Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of exercise.

Incentive Stock Options. The grant of an ISO will not result in taxable income to a participant. The exercise of an ISO will not result in taxable income to the participant provided that the participant was, without a break in service, an employee during the period beginning on the date of the grant of the option and ending on the date three months prior to the date of exercise. This employment period is one year (rather than three months) prior to the date of exercise if the participant is “disabled” (as defined in the Code). The heirs of a participant are not subject to this tax rule. The difference between the fair market value of the shares on the exercise date over the exercise price is taken into account for alternative minimum tax purposes.

If the participant does not sell or otherwise dispose of the stock within two years from the date of the grant or within one year after exercise, then, upon disposition of such shares, any amount realized in excess of the exercise price will be taxed to the participant as capital gain, and we will not be entitled to any deduction for federal income tax purposes.

If the foregoing holding period requirements are not met, the participant will generally realize ordinary income, and we will be allowed a corresponding deduction, at the time of the disposition of the shares, in an amount equal to the lesser of (i) the excess of the fair market value of the shares on the date of exercise over the exercise price, or (ii) the excess, if any, of the amount realized upon disposition of the shares over the exercise price. If the amount realized exceeds the value of the shares on the date of exercise, any additional amount will be capital gain. If the amount realized is less than the exercise price, the participant will recognize no income, and a capital loss will be recognized equal to the excess of the exercise price over the amount realized upon the disposition of the shares.

Special rules apply if a participant pays the exercise price for either type of option using shares previously owned by the participant.

Restricted Stock Awards. A participant who has been granted a restricted stock award will not realize taxable income at the time of grant, and we will not be entitled to a deduction at that time, assuming that the restrictions constitute a “substantial risk of forfeiture” for federal income tax purposes. Upon the vesting of shares subject to an award, the holder will realize ordinary income in an amount equal to the then fair market value of those shares, and we will be entitled to a corresponding deduction. A participant’s holding period will commence on the date the restrictions lapse.

A participant may make a Section 83(b) election under the Code within 30 days after the date of grant to be taxed as of the date of grant, on compensation income based on the fair market value at time of grant, in which case we will be entitled to a corresponding deduction at that time. If a participant makes a Section 83(b) election, the participant’s holding period generally will commence on the day after the date of grant.

Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of vesting (or grant, if a Section 83(b) election is made).

Restricted Stock Units. A participant who has been granted restricted stock units will not realize taxable income at the time of grant. Upon receipt of common stock or cash in the future pursuant to such an award, the participant will realize ordinary income equal to the then fair market value of those shares, and/or the amount of any cash received, and we will receive a corresponding deduction.

Stock Awards. Upon the grant of a stock award, a participant generally will realize ordinary income equal to the then fair market value of those shares, and the Company will be entitled to a corresponding deduction.

***Our Board of Directors unanimously recommends that you vote
“FOR” the approval of the amendment and restatement of the
Dogwood State Bank 2019 Omnibus Incentive Plan.***

***If a quorum is present at the Annual Meeting, this proposal will be approved if the votes cast in
favor of the proposal exceed the votes cast against the proposal.***

INDEPENDENT ACCOUNTANTS

Our Audit Committee has selected our current independent accountants, Elliott Davis PLLC, to serve as our independent accountants for 2023.

The Audit Committee's charter gives it the responsibility and authority to select and appoint our independent accountants and to approve their fees and the terms of their engagement under which they provide services to us. Our shareholders are not required by our Bylaws or the law to ratify the Committee's selection. The Audit Committee believes that Elliott Davis PLLC is independent. Elliott Davis PLLC has served as our independent accountants since 2018. Representatives of Elliott Davis PLLC are expected to participate in the Annual Meeting and they will have an opportunity to submit a statement if they choose to do so and will be available to answer questions.

Under its current procedures, our Audit Committee specifically pre-approves all audit services and other services provided by our accountants. The Committee reports to our full Board on audit and other services provided at the next regularly scheduled meeting of the Board.

Independent Accountant Fees

Audit Fees. Fees for audit services were \$89,471 in 2022 and \$85,645 in 2021.

Tax Fees. Fees for tax services, including tax compliance, tax advice and tax planning were \$14,215 in 2022 and \$12,386 in 2021.

All Other Fees. Fees for other permitted non-audit services, including compliance and BSA-AML consulting services, were \$0 in 2022 and \$23,890 in 2021.

Amended and Restated Dogwood State Bank 2019 Omnibus Incentive Plan

**DOGWOOD STATE BANK
2019 OMNIBUS INCENTIVE PLAN**

(as amended and restated December 8, 2022)

Section 1. Effective Date; Duration; General Purpose of Plan; Definitions.

Dogwood State Bank hereby amends and restates the Bank's 2019 Omnibus Incentive Plan as set forth herein (the "Plan"), subject to the approval of the amended and restated Plan by the shareholders of the Bank. The Plan was originally approved by the Board of Directors of the Bank on May 6, 2019 (the "Effective Date"). The Plan was amended and restated by the Board on December 8, 2022, subject to approval by the shareholders of the Bank.

The Plan shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to Section 11, until all Shares subject to the Plan shall have been purchased or granted according to the Plan's provisions; provided that no Award shall be granted pursuant to the Plan on or after the tenth anniversary of the Effective Date.

The purpose of the Plan is to enable the Bank and its Subsidiaries to attract and retain highly qualified personnel who will contribute to the Bank's success and to provide incentives to Participants to increase shareholder value and therefore further align the interests of the Participants with those of the shareholders to benefit all shareholders of the Bank.

For purposes of the Plan, the following terms shall be defined as set forth below:

- (a) "Acquired Entity" means a corporation or other entity whose employees become Eligible Recipients as a result of the direct or indirect acquisition by merger or other consolidation of such corporation or other entity with the Bank.
- (b) "Affiliate" means the Bank and any corporation, trade or business if it and the Bank are members of a controlled group of corporations, or are under common control or are members of an affiliated service group or are otherwise aggregated, within the meanings of Sections 414(b), 414(c), 414(m) and 414(o) of the Code.
- (c) "Administrator" means the Board and/or the Committee, as the case may be, to the extent that it administers the Plan, as set forth in Section 2.
- (d) "Award" means any award granted under the Plan as further described in Sections 6, 7, and 8.
- (e) "Award Agreement" means, with respect to each Award, the signed written agreement between the Bank and the Participant setting forth the terms and conditions applicable to the Award.
- (f) "Bank" means Dogwood State Bank, a North Carolina state nonmember bank (or any successor corporation that assumes this Plan, either contractually or by operation of law).
- (g) "Board" means the Board of Directors of the Bank.

- (h) “Cause” shall mean with respect to the Bank or any Subsidiary which employs the Participant or for which such Participant primarily performs services,
- (i) The commission by the Participant of an act of fraud, embezzlement, theft or dishonesty, or any other illegal act or practice (whether or not resulting in criminal prosecution or conviction), or any act or practice which the Administrator shall, in good faith, deem to have resulted in the Participant becoming unbondable under the Bank’s or any Subsidiary’s fidelity bond;
 - (ii) The willful engaging by the Participant in misconduct which is deemed by the Administrator, in good faith, to be materially injurious to the Bank or any Subsidiary, monetarily or otherwise, including, but not limited to, improperly disclosing trade secrets or other confidential or sensitive business information or data about the Bank or any Subsidiary or competing with the Bank or its Subsidiaries, or soliciting employees, consultants or customers of the Bank or any Subsidiary in violation of law or any employment or other agreement to which the Participant is a party; or
 - (iii) The willful and continued failure or habitual neglect by the Participant to perform his or her duties with the Bank or any Subsidiary substantially in accordance with the operating and personnel policies and procedures of the Bank or any Subsidiary generally applicable to the Participant. For purposes of this Plan, no act or failure to act by the Participant shall be deemed be “willful” unless done or omitted to be done by the Participant not in good faith or without reasonable belief that the Participant’s action or omission was in the best interest of the Bank.

Notwithstanding the foregoing, if the Participant has entered into an Award Agreement, employment agreement, change in control severance agreement or similar arrangement with the Bank or any Subsidiary that is binding as of the date of employment termination, and if such agreement defines “Cause,” then the definition of “Cause” in such agreement shall apply to the Participant in this Plan. “Cause” under either (i), (ii) or (iii) shall be determined by the Administrator. The determination of “Cause” may be made by the Administrator solely for purposes of this Plan and without regard to any other purpose of the Bank.

- (i) “Change in Control” means the first to occur of any one of the events:
- (i) The date that any Person (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the “Exchange Act”) and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a beneficial owner (as such term is defined in Rule 13d(3) under the Exchange Act), directly or indirectly, of securities of the Bank representing 50% or more of the combined voting power of the Bank’s then outstanding securities eligible to vote for the election of the Board (the “Bank Voting Securities”);
 - (ii) The date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) beneficial ownership of securities of the Bank representing 30% or more of the combined voting power of the Bank’s Voting Securities, or any plan or proposal for the dissolution or liquidation of the Bank is adopted by the shareholders of the Bank;

- (iii) The date that a majority of the members of the Board are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election (the “Incumbent Board”); provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Bank’s shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Bank in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- (iv) The date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition) assets from the Bank having a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Bank and its Subsidiaries;
- (v) provided, however, that the event described in paragraph (i), (ii), (iii) or (iv) above shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (1) by the Bank or any Subsidiary; (2) by any employee benefit plan (or related trust) sponsored or maintained by the Bank or any Subsidiary; (3) by any underwriter temporarily holding securities pursuant to an offering of such securities; or (4) pursuant to any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant).

In addition, for any Award that constitutes deferred compensation under Section 409A of the Code, to the extent necessary to avoid the imposition of taxes or penalties under Section 409A of the Code, a Change in Control shall be deemed to have occurred under the Plan with respect to such Award only if a change in the ownership or effective control of the Bank or a change in ownership of a substantial portion of the assets of the Bank shall also be deemed to have occurred in compliance with Section 409A of the Code. The Board shall determine whether and when a Change in Control occurs and, for purposes of any Award that constitutes deferred compensation under Section 409A of the Code, consistent with the objective, ministerial requirements of Treasury Regulation Section 1.409A-3(i)(5)(i).

- (j) “Code” means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.
- (k) “Committee” means the Nominating, Compensation, and Corporate Governance Committee of the Board or, if applicable, any other committee the Board may appoint to administer the Plan. If at any time or to any extent the Board shall not administer the Plan, then the functions of the Board specified in the Plan may be exercised by the Committee.
- (l) “Common Stock” or “Stock” means the voting common stock, par value \$1.00 per share, of the Bank.

- (m) “Dividend Equivalent” means a right, granted to an Eligible Recipient, to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.
- (n) “Eligible Recipient” means an officer, director, or employee of the Bank or any Subsidiary.
- (o) “Exercise Price” means the per Share price at which a Participant holding an Award of Options may purchase Shares issuable with respect to such Award of Options, if any.
- (p) “Fair Market Value” means the per share closing price of the Stock as reported on the applicable composite transactions report of an applicable stock exchange or, if the Stock was traded over-the-counter, then the average of the last reported representative bid and asked prices quoted for such date; provided, however, that if on the date Fair Market Value is to be determined there are no transactions in the Stock, Fair Market Value shall be determined as of the immediately preceding date or dates on which there were representative transactions in the Stock; provided further, however, that if the foregoing provisions are not applicable, the Fair Market Value of a share of the Stock as determined by the Administrator by the reasonable application of such reasonable valuation method, consistently applied, as the Administrator deems appropriate; provided further, however, that, with respect to ISOs, such Fair Market Value shall be determined subject to Section 422(c)(7) of the Code. This definition is intended to comply with the definition of “fair market value” contained in Treasury Regulation Section 1.409A-1(b)(5)(iv) and should be interpreted consistently therewith.
- (q) “Grant Date” means the later of (i) the date on which the Administrator completes the corporate action authorizing the grant of an Award or such later date specified by the Administrator or (ii) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.
- (r) “Good Reason” shall have the meaning set forth in the Participant’s Award Agreement, employment agreement, change in control severance agreement or similar arrangement with the Bank or any Subsidiary that is binding as of the date of employment termination; provided, that, if such agreement or arrangement does not exist, or does not contain a definition of Good Reason, then Good Reason shall not apply to the Participant.
- (s) “Incentive Stock Option” or “ISO” means any Option intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.
- (t) “Nonqualified Stock Option” or “NQSO” means any Option that is not an Incentive Stock Option, including any Option that provides (as of the time such Option is granted) that it will not be treated as an Incentive Stock Option.
- (u) “Option” means an option to purchase Shares granted pursuant to Section 6.
- (v) “Participant” means any Eligible Recipient selected by the Administrator, pursuant to the Administrator’s authority in Section 2, to receive an Award.
- (w) “Performance Goals” means the restrictions, based upon the achievement of performance goals, established by the Administrator. Any performance goal(s) may be used to

measure the performance of the Bank as a whole or any subsidiary or business unit of the Bank or any combination thereof, as the Administrator may deem appropriate. Performance for any goal can be measured on an absolute basis (i.e., versus the Bank's budget or prior year result) or relative to a peer group or industry index, as well as over a 1-year or multi-year period. In any event, the Administrator shall have the authority to adjust any Performance Goal in any manner.

- (x) "Performance Period" is a period not less than one calendar year, beginning not earlier than the year in which such Performance Award is granted, which may be referred to herein and by the Administrator by use of the calendar year in which a particular Performance Period commences; provided, however, that the Administrator shall have the authority to adjust a Performance Period for unusual or non-recurring events to a period of not less than six months.
- (y) "Permanent and Total Disability" shall have the same meaning as given to that term by Treasury Regulation Section 1.409A-3(i)(4) and any regulations or rulings promulgated thereunder or, with respect to any Award that does not constitute deferred compensation under Section 409A of the Code, disabled within the meaning of Section 22(e)(3) of the Code.
- (z) "Restricted Stock" means Shares subject to certain restrictions granted pursuant to Section 7.
- (aa) "Shares" means shares of Common Stock reserved for issuance under the Plan, as adjusted pursuant to Sections 3 or 4, and any successor security.
- (bb) "Subsidiary" means any corporation (other than the Bank) in an unbroken chain of corporations beginning with the Bank, if each of the corporations (other than the last corporation) in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.
- (cc) "Substitute Awards" means Awards granted or shares of Common Stock issued by the Bank in substitution or exchange for awards previously granted by an Acquired Entity.
- (dd) "Treasury Regulations" means regulations promulgated by the United States Department of Treasury pursuant to the Code, including proposed or temporary regulations as applicable.

Section 2. Administration.

The Plan shall be administered by the Administrator, which shall be the Board or the Committee designated by the Board (unless and to the extent that the Board directs the Committee not to administer the Plan). Pursuant to the terms of the Plan, the Board or the Committee, as the case may be from time to time, shall serve as the Administrator and shall have the power and authority:

- (a) to select those Eligible Recipients who shall be Participants;
- (b) to determine whether and the extent to which Awards are to be granted to Participants under the Plan;

- (c) to determine the number of Shares to be covered by or subject to each Award granted under the Plan;
- (d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of each Award granted under the Plan; and
- (e) to determine the terms and conditions, not inconsistent with the terms of the Plan, that shall govern all written instruments evidencing Awards granted under the Plan, including Award Agreements.

The Administrator shall have the authority, in its sole discretion, to: adopt, alter, and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable; correct any defect, supply any omission, reconcile any inconsistency, and resolve any ambiguity in, and otherwise interpret, the terms and provisions of the Plan and any Award issued under the Plan (and any Award Agreement relating thereto); and otherwise supervise the administration of the Plan. All decisions made by the Administrator pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Bank and the Participants.

Section 3. Shares Subject to the Plan.

Subject to Section 4, the total number of Shares reserved and available for issuance under the Plan shall be 500,000 Shares. Such Shares may consist, in whole or in part, of authorized and unissued shares or treasury shares. No fractional Shares shall be issued or delivered pursuant to the Plan. The Administrator shall determine whether cash, additional Awards or other securities or property shall be issued or paid in lieu of fractional Shares or whether any fractional shares should be rounded, forfeited or otherwise eliminated.

- (a) ISO Limitation. The maximum aggregate number of ISOs that may be issued under the Plan is 100 Shares.
- (b) Reissuance of Shares. Shares of Common Stock covered by an Award shall not be counted as used unless and until they are actually issued and delivered to a Participant. If any Award lapses, expires, terminates or is canceled prior to the issuance of Shares thereunder or if Shares are issued under the Plan to a Participant and thereafter are forfeited to or otherwise reacquired by the Bank, the Shares subject to such Awards and the forfeited or reacquired Shares shall again be available for issuance under the Plan. Any shares of Common Stock (i) tendered by a Participant or retained by the Bank as full or partial payment to the Bank for the purchase price of the Award, or (ii) covered by an Award that is settled in cash or in a manner that some or all of the Shares covered by the Award are not issued, shall among other actions, result in such Shares being available for Awards under the Plan. The number of shares of Common Stock available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional shares of Common Stock subject or paid with respect to an Award.
- (c) Performance Goals. The Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals.
- (d) Substitute Awards. Notwithstanding any other provision of the Plan to the contrary, the Administrator may grant Substitute Awards under the Plan. In the event that a written agreement between the Bank and an Acquired Entity pursuant to which a merger or

consolidation is completed and approved by the Board and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Administrator without any further action by the Administrator, and the persons holding such awards shall be deemed to be the Participants.

- (e) Minimum Vesting Period. Unless otherwise determined by the Administrator with respect to a specific Award, each Award granted hereunder shall be subject to vesting over a period of not less than three years following the date of grant of such Award.
- (f) Administrator's Discretion to Accelerate Vesting of, and Settle, Awards. Except upon the occurrence of a Change in Control (which is governed by the provisions of Section 10), the Administrator may, in its discretion and as of a date determined by the Administrator, (i) fully vest any or all Awards awarded to a Participant pursuant to an Award and, upon such vesting, all restrictions applicable to such Award shall terminate as of such date; and (ii) cancel any outstanding Award in exchange for payment to the holder thereof in cash or other property having an aggregate Fair Market Value equal to the Shares covered by such Award, reduced (but not below zero) by the aggregate Exercise Price or purchase price thereof, if any; provided that if such payment is zero, then such cancellation may be effected without payment to the Participant. Any action by the Administrator pursuant to this Section may vary among individual Participants and may vary among the Awards held by any individual Participant. Notwithstanding the preceding provisions of this Section, the Administrator may not take any action described in this Section if such action shall cause any Award hereunder which is or becomes subject to Section 409A of the Code to incur taxes or penalties under Section 409A of the Code.
- (g) Forfeiture by Order of Regulatory Agency. If the Bank's capital falls below the minimum requirements contained in 12 CFR Section 324 or below a higher requirement as determined by the Bank's primary state or federal bank regulatory agency, such agency may direct the Bank to require Participants to exercise or forfeit some or all of their Awards. All Awards granted under this Plan are subject to the terms of any such directive.

Section 4. Corporate Transactions.

Subject to the provisions of Section 10 relating to a Change in Control, in the event of any merger, consolidation, combination, reorganization, recapitalization, reclassification, extraordinary cash dividend, stock dividend, stock split, reverse stock split, or other change in corporate structure, the Administrator shall make an equitable substitution or proportionate adjustment in (a) the aggregate number of Shares reserved for issuance under Section 3; (b) the kind, number, and Exercise Price of Shares (or other cash or property) issuable with respect to outstanding Options granted under the Plan (which may become, without limitation, shares of an acquiring entity or other successor corporation that assumes this Plan); (c) the kind and number, if any, of Shares subject to any outstanding Awards of Restricted Stock granted under the Plan (which may become, without limitation, shares of an acquiring entity or other successor corporation that assumes this Plan); and (d) the kind and number, if any, of Shares subject to any other outstanding Award granted under the Plan (which may become, without limitation, shares of an acquiring entity or other successor corporation that assumes the Plan), in each case as may be determined by the Administrator, in its sole discretion; provided, that with respect to ISOs, any adjustment shall be made in accordance with the provisions of Section 424(h) of the Code and any regulations or guidance promulgated thereunder; and provided, further, that no such adjustment shall

cause any Award hereunder which is or becomes subject to Section 409A of the Code to incur taxes or penalties under Section 409A of the Code.

Section 5. Eligibility.

The Participants under the Plan shall be selected from time to time by the Administrator, in its sole discretion, from among the Eligible Recipients and the Administrator may establish, from time to time, such general eligibility criteria as the Administrator may deem appropriate. The Administrator shall have the authority to grant Awards under the Plan to the Eligible Recipients; provided, however, that only current employees within the meaning of Section 422(a)(2) of the Code may be granted ISOs.

Section 6. Options.

Options may be granted alone or in addition to other Awards granted under the Plan. Any Option granted under the Plan shall be substantially in the form as the Administrator may from time to time approve, and the provisions of each Option need not be the same with respect to each Participant. Participants who are granted Options shall enter into an Award Agreement with the Bank in such form as the Administrator shall determine, which Award Agreement shall set forth, among other things, the Exercise Price of the Option, the term of the Option and provisions regarding exercisability of the Option granted in connection with such Award Agreement.

Options granted under the Plan may be of two types: Incentive Stock Options and Nonqualified Stock Options. If and to the extent any Option granted under the Plan that is intended to qualify as an ISO does not qualify as an ISO, such Option shall constitute a separate NQSO. A grant of an ISO can only be made to an Eligible Recipient who is also an employee within the meaning of Section 422(a)(2) of the Code.

Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable:

- (a) Option Exercise Price. The Exercise Price of Shares issuable with respect to an Option shall be determined by the Administrator in its sole discretion, provided, however, that such Exercise Price shall not be less than 100% of the Fair Market Value on the Grant Date, except in the case of Substitute Awards. If a Participant owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Bank or any Subsidiary and an ISO is granted to such Participant, the Exercise Price of such ISO shall be no less than 110% of the Fair Market Value on the Grant Date of such Option.
- (b) Option Term. The term of each Option shall be fixed by the Administrator, but no Option shall be exercisable more than 10 years after the Grant Date of such Option; provided, however, that if an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Bank or any Subsidiary and an ISO is granted to such employee, the term of such ISO (to the extent required by the Code at the time of grant) shall be no more than five years from the Grant Date.
- (c) Exercisability. Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator at the time of grant. Such terms and conditions may include (i) the attainment of one or more Performance

Goals established by the Administrator; (ii) the Participant's continued employment with the Bank or any Subsidiary, or continued service as a director of the Bank or any Subsidiary, for a specified period of time; (iii) the occurrence of any other event or the satisfaction of any other condition specified by the Administrator in its sole discretion; or (iv) a combination of any of the foregoing. The Administrator may provide that any Option shall be exercisable only in installments, and the Administrator may waive such installment exercise provisions at any time, in whole or in part, based on such factors as the Administrator may determine, all in its sole discretion. An Option designated as an Incentive Stock Option shall cease to qualify for favorable tax treatment as an Incentive Stock Option to the extent it is exercised (if permitted by the terms of the Option) (x) more than three months after the date of a Participant's termination of employment if termination was for reasons other than death or disability; (y) more than one year after the date of a Participant's termination of employment if termination was by reason of disability; or (z) more than six months following the first day of a Participant's leave of absence that exceeds three months, unless the Participant's reemployment rights are guaranteed by statute or contract.

- (d) Method of Exercise. Subject to Sections 6(c) and 9, vested Options may be exercised in whole or in part at any time during the Option term, by giving notice as described in the applicable Award Agreement. As determined by the Administrator in its sole discretion, payment in whole or in part may also be made: (i) in cash; (ii) to the extent permitted by applicable law, by means of any cashless exercise procedure approved by the Administrator, including by means of a net exercise whereby the Bank issues net Shares and the remaining balance of the Shares to satisfy the Participant's tax withholding obligations; (iii) in the form of unrestricted shares of Common Stock already owned by the Participant (based on the Fair Market Value on the date the Option is exercised); provided, however, that in the case of an ISO, the right to make payment in the form of already owned shares of Common Stock may be authorized only at the time of grant; (iv) any other form of consideration approved by the Administrator and permitted by applicable law; or (v) any combination of the foregoing.

A Participant shall generally have the rights to dividends and any other rights of a shareholder with respect to the Shares subject to the Option only after the Participant has given written notice of exercise, has paid in full for such Shares, and, if requested, has given the representation described in Section 13(b).

- (e) Non-Transferability of Options. Except as otherwise provided in the Award Agreement and subject to Section 9, Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will, or by the laws of descent and distribution, except that NQSOs may be transferred if and to the extent set forth in an Award Agreement.
- (f) Annual Limit on Incentive Stock Options. To the extent that the aggregate Fair Market Value (determined as of the date the ISO is granted) of Shares with respect to which ISOs granted to a Participant under this Plan and all other equity compensation plans of the Bank or any Subsidiary become exercisable for the first time by the Participant during any calendar year exceeds \$100,000 (as determined in accordance with Section 422(d) of the Code), the number of Shares attributable to the amount of such Fair Market Value exceeding \$100,000 shall be treated as issuable with respect to NQSOs.
- (g) Taxation of Incentive Stock Options.

- (i) In order to obtain certain tax benefits afforded to Incentive Stock Options under Section 422 of the Code, the Participant must hold the shares acquired upon the exercise of an Incentive Stock Option for two years after the Grant Date and one year after the date of exercise.
- (ii) A Participant may be subject to the alternative minimum tax at the time of exercise of an Incentive Stock Option. The Participant shall give the Bank prompt notice of any disposition of shares acquired on the exercise of an Incentive Stock Option prior to the expiration of such holding periods.
- (h) Certain Successor Options. To the extent not inconsistent with the terms, limitations and conditions of Section 422 of the Code and any regulations promulgated with respect thereto, an Option issued in respect of an option held by an employee to acquire stock of any entity acquired, by merger or otherwise, by the Bank (or any Subsidiary of the Bank) may contain terms that differ from those stated in this Section 6, but solely to the extent necessary to preserve for any such employee the rights and benefits contained in such predecessor option, or to satisfy the requirements of Section 424(a) of the Code.
- (i) Code Definitions. For purposes of this Section 6, “disability,” “parent corporation” and “subsidiary corporation” shall have the meanings attributed to those terms for purposes of Section 422 of the Code.

Section 7. Restricted Stock.

Awards of Restricted Stock may be granted either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, awards of Restricted Stock shall be made; the number of Shares to be awarded with respect to an Award of Restricted Stock; and the Restricted Period (as defined in Section 7(b)) applicable to an Award of Restricted Stock. Award Agreements with respect to Restricted Stock shall be in such form as the Administrator may from time to time approve, and the provisions of Awards of Restricted Stock need not be the same with respect to each Participant. An Award of Restricted Stock shall be subject to such terms and conditions not inconsistent with the Plan as the Administrator shall impose and shall be evidenced by an Award Agreement.

- (a) Stock Certificates. Subject to Section 7(b), with respect to each Participant who is granted an Award of Restricted Stock, the Bank shall either (i) issue a stock certificate in respect of such Award of Restricted Stock which certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to any such Award of Restricted Stock; or (ii) enter such Award of Restricted Stock in book entry form (with appropriate restrictions noted with respect thereto), such method to be determined by the Administrator in its sole discretion. The Bank may require that any stock certificates evidencing Restricted Stock granted under the Plan be held in the custody of the Bank until the restrictions thereon shall have lapsed, and that, as a condition of any Award of Restricted Stock, the Participant shall have delivered a stock power, endorsed in blank, relating to the Shares covered by such Award of Restricted Stock.
- (b) Restrictions and Conditions Applicable to Restricted Stock. An Award of Restricted Stock granted pursuant to this Section 7 shall be subject to the following restrictions and conditions:

- (i) Subject to the provisions of the Plan and the Award Agreement governing any such Award of Restricted Stock, during such period as may be set by the Administrator commencing on the date of grant of the Award, the Participant shall not be permitted to sell, transfer, pledge, or assign such Shares of Restricted Stock (such period, the “Restricted Period”); provided, however, that the Administrator may, in its sole discretion, provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion. Notwithstanding the preceding provision of this Section, the Administrator may not take any action described in this Section if such action shall cause any Award hereunder which is or becomes subject to Section 409A of the Code to incur taxes or penalties under Section 409A of the Code. Such restrictions shall be determined by the Administrator in its sole discretion, and the Administrator may provide that such restrictions lapse upon (1) the attainment of one or more Performance Goals established by the Administrator; (2) the Participant’s continued employment with the Bank or any Subsidiary, or continued service as a director of the Bank or any Subsidiary, for a specified period of time; (3) the occurrence of any other event or the satisfaction of any other condition specified by the Administrator in its sole discretion; or (4) a combination of any of the foregoing.
- (ii) Subject to Section 13(b) and/or unless otherwise provided in an Award Agreement, a Participant awarded Restricted Stock under the Plan generally shall have the rights of a shareholder of the Bank with respect to such Restricted Stock during the Restricted Period (including, without limitation, the right to vote the Restricted Stock and to receive dividends thereon).

Section 8. Other Cash and Equity Awards.

Awards of restricted stock units, stock appreciation rights, performance awards, cash awards, performance units, phantom stock, dividend equivalents, or similar rights to purchase or acquire Shares may be granted either alone or in addition to other Awards granted under the Plan. Such Awards shall be subject to such terms, conditions, restrictions (which may include a risk of forfeiture) as the Administrator may impose, if any, which restrictions may lapse at the expiration of the vesting or deferral period, as the case may be, at earlier specified times (including based on achievement of Performance Goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Administrator may determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

Section 9. Termination of Employment or Service.

- (a) Unless otherwise set forth in Section 14 or as may otherwise be set forth in an Award Agreement with respect to Options, if a Participant’s employment with or service as an officer, director or employee of the Bank or of any Subsidiary: (i) terminates for any reason and on the date of termination of employment or service the Participant is not vested as to his or her entire Award, the Shares issuable with respect to the unvested portion of such Award shall be forfeited; or (ii) terminates for the reasons described below and on the date of termination of employment or service the Participant is vested as to any Options, then if such termination is (A) by reason of his or her death or Permanent and Total Disability, any vested Option may thereafter be exercised for a period of twelve months following termination of employment or service; (B) for Cause,

then any vested Option shall cease to be exercisable and shall terminate; or (C) for any other reason, then any vested Option may thereafter be exercised for a period of 90 days following termination of employment or service. If, and to the extent that, after termination of employment or service, the Participant does not exercise his or her Option within the applicable time stated above, the unexercised Option shall terminate.

- (b) Unless otherwise set forth in Section 14 or as may otherwise be set forth in an Award Agreement with respect to any Award other than Options, if a Participant's employment with or service as an officer, director or employee of the Bank or any Subsidiary (i) terminates for Cause, then all rights to such Award shall cease; or (ii) terminates by reason of his or her death or Permanent and Total Disability, the Award shall be reduced pro-rata for the portion of any Performance Period during which the Participant was employed or in Bank service.

Section 10. Change in Control.

Unless otherwise determined in an Award Agreement, in the event of a Change in Control:

- (a) The Administrator shall determine whether, and the extent to which, effective immediately prior to the occurrence of the Change in Control, (i) each outstanding Award shall become fully vested and, if applicable, exercisable; (ii) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse; and (iii) any performance conditions imposed with respect to Awards shall be deemed to be fully achieved.
- (b) The Administrator may agree on behalf of Participants and may notify all Participants that all outstanding Awards shall be assumed by the acquiring entity or substituted on an equitable basis with awards issued by the acquiring entity. For purposes of this Section 10, an Award shall be considered assumed or substituted for if, following the Change in Control, the Award remains subject to the same terms and conditions that were applicable to the Award immediately prior to the Change in Control except that, if the Award related to Shares, the Award instead confers the right to receive common stock or other securities of the acquiring entity.
- (c) Notwithstanding any other provision of the Plan, in the event of a Change in Control, except as would otherwise result in the imposition of taxes or penalties under Section 409A of the Code, the Board may, in its sole discretion, provide that each Award shall, immediately upon the occurrence of a Change in Control, be cancelled in exchange for a payment in cash or securities in an amount equal to (i) the excess (if any) of the consideration paid per Share in the Change in Control (as determined by the Administrator in its sole discretion) over the exercise or purchase price (if any) per Share subject to the Award; multiplied by (ii) the number of Shares subject to the Award (if the consideration paid per share in the Change in Control is deemed by the Administrator to be less than the Exercise Price or purchase price (if any) per Share subject to an Award, then such Awards may be deemed to have been paid in full and canceled by the Administrator).
- (d) In the absence of any provision by the Administrator under the foregoing paragraphs, all Options not exercised before the consummation of the Change in Control shall terminate and be cancelled, all Restricted Stock that has not vested will be cancelled and forfeited,

and all other Awards not fully exercised, paid or vested, shall terminate and be cancelled, all on the date of the Change in Control.

Section 11. Amendment; Termination; Clawback.

The Board may amend, alter, or discontinue the Plan at any time, but no amendment, alteration, or discontinuation that would materially impair the rights of a Participant under any Award granted or Award Agreement in effect under the Plan shall be made without such Participant's consent. The Administrator may accept surrender of outstanding Awards and grant new Awards in substitution for them; provided that the Administrator will not, without prior shareholder approval, exchange underwater Options or otherwise modify the exercise price or purchase price of any Option or Award that has the effect of being a repricing. To the extent necessary and desirable, approval of the Bank's shareholders shall be obtained for any amendment that would:

- (a) except as set forth in Sections 3 or 4, increase the total number of Shares reserved for issuance under the Plan; or
- (b) change the class of officers, directors and employees eligible to participate in the Plan.

The Administrator may amend the terms of any Award granted under the Plan, prospectively or retroactively, but, subject to Section 4, no such amendment shall impair the rights of any Participant without his or her consent. Notwithstanding the previous sentence, the Administrator reserves the right to amend the terms of any Award or Award Agreement as may be necessary or appropriate to avoid the imposition of taxes or penalties under Section 409A of the Code.

Notwithstanding any other provisions in the Plan, any Award which is subject to recovery under any law, government regulation or stock exchange listing requirement, rule or regulation (including but not limited to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement, rule or regulation (or any policy adopted by the Bank or any Affiliate pursuant to any such law, government regulation or stock exchange listing requirement, rule or regulation, or otherwise adopted), and the Administrator reserves the right to amend the terms of any Award or Award Agreement as may be necessary or appropriate to comply with such law, government regulation or stock exchange listing requirement, rule or regulation, or Bank policy. Further, the Bank shall have the right to recover from a Participant time-based and performance-based Awards (or amounts received in settlement or as proceeds thereof) in accordance with any other clawback policy adopted by the Bank or any Affiliate from time to time, related to a financial restatement by the Bank or otherwise. The provisions in this paragraph shall not limit the Bank's right to revoke or cancel an Award or take other action against a Participant for any other reason, including, but not limited to, misconduct.

Section 12. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant by the Bank, nothing contained herein shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Bank.

Section 13. General Provisions.

- (a) Shares shall not be issued pursuant to the exercise or settlement of any Award granted under the Plan unless the exercise or settlement of such Award and the issuance and delivery of such Shares pursuant to such Award shall comply with all relevant provisions

of law, including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, withholding tax requirements and the requirements of any stock exchange upon which the Common Stock may then be listed, and shall be further subject to the approval of counsel for the Bank with respect to such compliance. The Bank may rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock for which an Award is exercised or issued may bear such legends and statements as the Administrator may deem advisable to assure compliance with Federal and state laws and regulations.

- (b) The Administrator may require each person acquiring Shares granted under the Plan to represent to and agree with the Bank in writing that such person is acquiring the Shares without a view to distribution thereof. All certificates for Shares delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Administrator may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed, and any applicable Federal or state securities law. The certificates for such Shares may include the legend set forth below, or any other legend that the Administrator deems appropriate to reflect any restrictions on transfer for such Shares.

“THE ISSUANCE OF THE SHARES REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF EITHER AN EFFECTIVE REGISTRATION STATEMENT FOR THESE SHARES UNDER THE SECURITIES ACT OF 1933 OR AN OPINION OF COUNSEL THAT REGISTRATION IS NOT REQUIRED UNDER THE ACT.”

- (c) Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements. The adoption of the Plan or granting of an Award shall not confer upon any Eligible Recipient any right to continued employment with or service to the Bank or any Subsidiary, as the case may be, nor shall it interfere in any way with the right of the Bank or any Subsidiary to terminate the employment or service of any Eligible Recipient at any time.
- (d) Unless otherwise set forth in an applicable Award Agreement, a Participant may elect, no later than the date as of which the value of an Award becomes includible in the gross income of the Participant for Federal income tax purposes, to have the Bank withhold vested whole shares of Common Stock deliverable upon the exercise of an Option or the vesting of the Restricted Stock to satisfy (in whole or in part) the amount, if any, that the Bank or any Subsidiary is required to withhold for taxes; provided, however, that the amount of shares of Common Stock so withheld shall have a Fair Market Value (as of the withholding date) that is not in excess of the amount determined by the Bank to be equal to the applicable maximum statutorily required withholding tax payments. Any such election shall be irrevocable.

To the extent that a Participant does not make such an election, or such election does not fully satisfy such maximum statutorily required withholding tax payments, then (x) the Bank may require that the Participant pay to the Bank, or make arrangements satisfactory to the Bank regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such Award, as a condition of the exercise of any Option; (y) the Bank may withhold vested whole shares of Common Stock deliverable

upon exercise of an Option or vesting of the Restricted Stock to satisfy (in whole or in part) the amount, if any, that the Bank or any Subsidiary is required to withhold for taxes; provided, however, that the amount of shares of Common Stock so withheld shall have a Fair Market Value (as of the withholding date) that is not in excess of the amount determined by the Bank to be equal to the applicable maximum statutorily required withholding tax payments; and (z) the Bank shall have the right to deduct from any payment of any kind otherwise due to a Participant up to an amount equal to any Federal, state or local taxes of any kind required by law to be withheld in connection with the granting, vesting or exercise of an Award (not to exceed the amount determined by the Bank to be the applicable maximum statutorily required withholding tax payments). Upon request, the Participant shall reimburse the Bank for any taxes that the Bank withholds that are not otherwise reimbursed as contemplated above in this Section 13(d).

- (e) No member of the Board or the Administrator, nor any officer or employee of the Bank acting on behalf of the Board or the Administrator, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Administrator and each and any officer or employee of the Bank acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Bank in respect of any such action, determination, or interpretation. Except to the extent prohibited by applicable law, the Administrator may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to it in this Plan. Such delegation may be revoked at any time.
- (f) If a Participant is an officer or director of the Bank within the meaning of Section 16 of the Exchange Act and the Plan is subject thereto, Awards granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the Exchange Act, to qualify the Award for any exemption from the provisions of Section 16 of the Exchange Act available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the agreement with the Participant, which describes the Award.
- (g) The Bank shall be under no obligation to effect the registration pursuant to the Securities Act of 1933 of any shares of Stock to be issued hereunder or to effect similar compliance under any state laws. Notwithstanding anything herein to the contrary, the Bank shall not be obligated to cause to be issued or delivered any shares of Stock pursuant to the Plan unless and until the Bank is advised by its counsel that the issuance and delivery of such shares is in compliance with all applicable laws, regulations or governmental authority and the requirements of any securities exchange on which shares of Stock are traded. The Administrator may require, as a condition of the issuance and delivery of shares of Stock pursuant to the terms hereof, that the recipient of such shares make such covenants, agreements and representations, and that such shares, if certificated, bear such legends, and if dematerialized, be so restricted, in each case, as the Administrator, in its sole discretion, deems necessary or desirable.

Section 14. Section 409A of the Code.

Notwithstanding any provision in the Plan to the contrary, no payment or distribution under this Plan that constitutes an item of deferred compensation under Section 409A of the Code that is not otherwise exempt under Section 409A of the Code (“Deferred Compensation”) and becomes payable by reason of a Participant’s termination of employment or service with the Bank will be made to such Participant unless such Participant’s termination of employment or service constitutes a “separation from

service” (as defined in Section 409A of the Code). For purposes of this Plan, each amount to be paid or benefit to be provided that is Deferred Compensation shall be construed as a separate identified payment for purposes of Section 409A of the Code. With respect to Deferred Compensation, if a Participant is a “specified employee” (as defined in Section 409A of the Code), then to the extent necessary to avoid the imposition of taxes under Section 409A of the Code, such Participant shall not be entitled to any payments upon a termination of his or her employment or service until the earlier of: (a) the expiration of the six-month period measured from the date of such Participant’s “separation from service” or (b) the date of such Participant’s death. Upon the expiration of the applicable waiting period set forth in the preceding sentence, all payments and benefits deferred pursuant to this Section 14 (whether they would have otherwise been payable in a single lump sum or in installments in the absence of such deferral) shall be paid to such Participant in a lump sum as soon as practicable, but in no event later than 60 calendar days, following such expired period, and any remaining payments due under this Plan will be paid in accordance with the normal payment dates specified for them herein.

Section 15. Notice.

All notices, requests, waivers, and other communications required or permitted hereunder shall be in writing and shall be either personally delivered, sent by reputable overnight courier service or mailed by first class mail, return receipt requested, to the recipient at the address below:

To the Bank:

Dogwood State Bank
5401 Six Forks Road
Raleigh, NC 27609
Attention: David Therit, CFO

To the Participant:

To the last known address of the Participant as appearing in the Participant’s personnel records as maintained by the Bank.

or such other address or the attention of such other person as the recipient party shall have specified by prior written notice to the sending party, or sent by other electronic means. All such notices, requests, waivers and other communications shall be deemed to have been effectively given: (a) when personally delivered to the party to be notified; (b) when sent by confirmed facsimile to the party to be notified; (c) five (5) business days after deposit in the United States Mail postage prepared by certified or registered mail with return receipt requested at any time other than during a general discontinuance of postal service due to strike, lockout, or otherwise (in which case such notice, request, waiver or other communication shall be effectively given upon receipt) and addressed to the party to be notified as set forth above; or (d) two (2) business days after deposit with a national overnight delivery service, postage prepaid, addressed to the party to be notified as set forth above with next-business-day delivery guaranteed. A party may change its or his notice address given above by giving the other party ten (10) days’ written notice of the new address in the manner set forth above.

Section 16. Governing Law and Interpretation.

The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of North Carolina, without reference to principles of conflict of laws.

Section 17. Severability.

If, for any reason, any provision of this Plan is held invalid, such invalidity shall not affect any other provision of this Plan not held so invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Plan shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Plan, shall to the full extent consistent with law continue in full force and effect.

Section 18. Certain Payments.

Notwithstanding anything in this Plan to the contrary, the Bank shall not have any obligation to make any payment, to provide any benefit, or to provide any indemnification to the extent prohibited by applicable law, including part 359 of the regulations of the Federal Deposit Insurance Corporation, any similar or successor regulation, or any directive issued thereunder by any applicable bank regulatory agency.