

**AGREEMENT AND PLAN OF REORGANIZATION**

by and between

**COMMENCEMENT BANK**

and

**THURSTON FIRST BANK**

Dated as of July 8, 2016



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## AGREEMENT AND PLAN OF REORGANIZATION

**AGREEMENT AND PLAN OF REORGANIZATION**, dated as of July 8, 2016 (this "Agreement"), by and between Commencement Bank, a Washington state chartered bank ("Commencement"), and Thurston First Bank, a Washington state chartered bank ("Thurston"), and together with Commencement the "Parties").

### RECITALS

A. The Boards of Directors of the Parties have determined that it is in the best interests of their respective banks and their shareholders to consummate the business combination transaction provided for in this Agreement in which Thurston will, on the terms and subject to the conditions set forth in this Agreement, merge with and into, Commencement (the "Merger"), with Commencement as the surviving bank in the Merger (sometimes referred to in such capacity as the "Surviving Bank"). Commencement shall register "Thurston First Bank" as a tradename effective on consummation of the Merger, and Thurston shall operate under that name for a period of at least twelve (12) months following the Effective Time of the Merger.

B. As a condition to the willingness of Thurston and Commencement to enter into this Agreement, a majority of the directors of Commencement and Thurston have agreed to enter into voting agreements (each a "Voting Agreement"), substantially in the form attached hereto as Exhibit A, dated as of the date hereof, pursuant to which such directors have agreed, among other things, to vote all of their common stock in Commencement or Thurston owned by such Person (as defined in Section 4.2(b)) in favor of the approval of this Agreement and the transactions contemplated hereby, subject to the terms of the Voting Agreement.

C. As a condition to the willingness of Commencement and Thurston to enter into this Agreement, all of the directors of Commencement and Thurston have entered into non-compete and non-solicitation agreements (each a "Director's Agreement"), substantially in the form attached hereto as Exhibit B, dated as of the date hereof but effective upon consummation of the Merger.

D. The Parties intend the Merger to be treated as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and intend for this Agreement to constitute a "plan of reorganization" within the meaning of Treasury Regulations section 1.368-2(g).

E. The Parties desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe certain conditions to the Merger.

**NOW, THEREFORE**, in consideration of the mutual covenants, representations, warranties and agreements contained in this Agreement, the Parties agree as follows:

**ARTICLE I**  
**THE MERGER**

1.1 The Merger.

(a) The Merger. Subject to the terms and conditions of this Agreement, in accordance with the Washington Commercial Bank Act, at the Effective Time, Thurston shall merge with and into Commencement. Commencement shall be the Surviving Bank in the Merger and shall continue its existence as a corporation under the laws of the State of Washington. As of the Effective Time, the separate corporate existence of Thurston shall cease.

(b) Articles and Bylaws. At the Effective Time, the articles of incorporation of Commencement in effect immediately prior to the Effective Time, shall be the articles of incorporation of the Surviving Bank until thereafter amended in accordance with applicable law. The bylaws of Commencement as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Bank until thereafter amended in accordance with applicable law and the terms of such bylaws.

(c) Authorized Capital Stock. The authorized capital stock of the Surviving Bank upon consummation of the Merger shall be as set forth in the Commencement Articles immediately prior to the Merger.

(d) Directors and Executive Officers of the Surviving Bank; Advisory Board. Subject to applicable law, and Commencement's corporate governance process for new directors, seven of the directors of Commencement (which seven shall be designated by the Board of Directors of Commencement) immediately prior to the Effective Time, together with four (4) existing directors of Thurston mutually agreed upon by the Boards of Directors of the Parties (the "Thurston Designated Directors"), shall be the directors of the Surviving Bank and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal. On or prior to the Closing Date, Commencement shall cause the Thurston Designated Directors to be added to the Board of Directors of Commencement as of the Effective Time. The executive officers of Commencement immediately prior to the Effective Time shall be the officers of the Surviving Bank and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal. As of the date of execution of this Agreement, Commencement has entered into an employment agreement with James H. Haley, which will become effective as of the Effective Time ("Employment Agreement").

Effective as of the Effective Time, an advisory board of the Surviving Bank shall be formed consisting of those members of the Thurston board of directors as of the Effective Time that desire to serve in that capacity at the time of the Closing (the "Advisory Board"). The Advisory Board shall meet quarterly with one or more of the executive officers of Commencement. Stephen J. Bean shall serve as Chairman of the Advisory Board.

(e) Effect of the Merger. At and after the Effective Time, the Merger shall have the effects set forth in the Washington Commercial Bank Act. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of Thurston shall vest in the Surviving Bank, and all debts, liabilities, obligations,

restrictions, and duties of Thurston shall become the debts, liabilities, obligations, restrictions, and duties of the Surviving Bank.

(f) Additional Actions. If, at any time after the Effective Time, the Surviving Bank shall consider that any further assignments or assurances in law or any other acts are necessary or desirable to (i) vest, perfect, record or otherwise confirm the Surviving Bank's right, title or interest in, to or under any of the rights, properties or assets of Thurston acquired or to be acquired by the Surviving Bank as a result of, or in connection with, the Merger, or (ii) otherwise carry out the purposes of this Agreement, Thurston, and its proper officers and directors, acting in such corporate capacity and not individually, and, subject to applicable law, shall be deemed to have granted to the Surviving Bank an irrevocable power of attorney to execute and deliver all such proper deeds, assignments and assurances in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such rights, properties or assets in the Surviving Bank and otherwise to carry out the purposes of this Agreement, and the proper officers and directors of the Surviving Bank are fully authorized in the name of the Surviving Bank, Thurston or otherwise to take any and all such action.

## 1.2 Effective Time and Effective Date; Closing.

(a) Subject to the terms and conditions of this Agreement, simultaneously with the Closing, the Parties shall execute, and Commencement shall cause to be filed with the Director of the Washington State Department of Financial Institutions (the "Director"), articles of merger and a short form plan of merger as provided in the Washington Commercial Bank Act (collectively the "Articles of Merger"). The Merger shall become effective at such time as designated in the Articles of Merger (the "Effective Time"). The date and the time at which the Merger becomes effective is herein called the effective date (the "Effective Date").

(b) A closing (the "Closing") shall take place immediately prior to the Effective Time at the offices of Commencement, 1102 Commerce Street, Tacoma, Washington 98402 or at such other place, at such other time, or on such other date as the parties may mutually agree upon (such date, the "Closing Date"). At the Closing, there shall be delivered to Commencement and Thurston the certificates and other documents required to be delivered under Article VII hereof.

## ARTICLE II CONSIDERATION

2.1 Conversion of Stock. At the Effective Time, by virtue of the Merger and without any action on the part of the holders of common stock of Thurston or Commencement:

(a) Each share of common stock of Commencement ("Commencement Common Stock") issued and outstanding immediately prior to the Effective Time shall continue to be one validly issued, fully paid and nonassessable share of common stock of the Surviving Bank.

(b) Subject to Sections 2.1(c) and 2.1(d), each share of common stock of Thurston ("Thurston Common Stock") issued and outstanding immediately prior to the Effective Time, shall be converted into the right to receive 0.9024 (the "Exchange Ratio") shares of Commencement Common Stock together with cash paid in lieu of fractional shares (the "Merger Consideration"). All of the shares of Thurston Common Stock converted into the right to receive the Merger

Consideration pursuant to this Article II shall no longer be outstanding and shall automatically be cancelled and shall cease to exist as of the Effective Time, and each certificate previously representing any such shares of Thurston Common Stock (each, a "Certificate") shall thereafter represent only the right to receive the Merger Consideration and/or cash in lieu of fractional shares into which the shares of Thurston Common Stock represented by such Certificate have been converted pursuant to this Section 2.1(b) and Section 3.3(f).

(c) If, between the date of this Agreement and the Effective Time, the outstanding shares of Commencement Common Stock shall have been increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization, an appropriate and proportionate adjustment shall be made to the Exchange Ratio to provide the holders of Thurston Common Stock converted into Merger Consideration the same economic effect as contemplated by this Agreement prior to such event, and as so adjusted shall, from and after the date of such event, be the Exchange Ratio.

(d) Notwithstanding anything in this Agreement to the contrary, shares of Thurston Common Stock that are issued and outstanding immediately prior to the Effective Time and which are held by a shareholder who did not vote in favor of the Merger (or consent thereto in writing) and who exercises dissenters rights when and in the manner required under Section 30A.49.090 of the Washington Commercial Bank Act shall not be converted into or be exchangeable for the right to receive the Merger Consideration (the "Dissenting Shares"), but instead such holder shall be entitled to only such rights as are granted with respect to the payment of the fair value of such shares under the applicable provisions of Section 30A.49.090 of the Washington Commercial Bank Act. At the Effective Time, such Dissenting Shares shall no longer be outstanding and shall automatically be cancelled and shall cease to exist, and such holder shall cease to have any rights with respect thereto, except the rights provided for pursuant to the foregoing provisions of the Washington Commercial Bank Act and this Section 2.1(d)), unless and until such holder shall have failed to perfect or shall have effectively withdrawn or lost rights to demand or receive the fair value of such shares of Thurston Common Stock under the Washington Commercial Bank Act. If any shareholder dissenting pursuant to the Washington Commercial Bank Act and this Section 2.1(d) shall have failed to perfect or shall have effectively withdrawn or lost such right, such holder's shares of Thurston Common Stock shall thereupon be treated as if they had been converted into and become exchangeable for the right to receive, as of the Effective Time, the Merger Consideration for each such share of Thurston Common Stock, in accordance with Section 2.1(b), without any interest thereon. Thurston shall give Commencement (i) prompt notice of any written notices to exercise dissenters' rights in respect of any shares of Thurston Common Stock, attempted withdrawals of such notices and any other instruments served pursuant to the Washington Commercial Bank Act and received by Thurston relating to shareholders' dissenters' rights and (ii) the opportunity to participate in negotiations and proceedings with respect to demands for fair value under the Washington Commercial Bank Act. Thurston shall not, except with the prior written consent of Commencement, voluntarily make any payment with respect to, or settle, or offer or agree to settle, any such demand for payment. Any shares of common stock of Commencement made available to the Exchange Agent pursuant to Article III to receive the Merger Consideration of Thurston Common Stock for which dissenters' rights have been perfected shall be returned to Commencement upon demand.

**ARTICLE III**  
**DELIVERY OF MERGER CONSIDERATION**

3.1 Exchange Agent. Prior to the Effective Time, Commencement shall appoint Transfer Online, Inc., pursuant to an agreement (the "Exchange Agent Agreement") to act as exchange agent (the "Exchange Agent") hereunder.

3.2 Deposit of Merger Consideration. At or prior to the Effective Time, Commencement shall deposit with the Exchange Agent, or authorize the Exchange Agent to issue, an aggregate number of shares of Commencement Common Stock equal to the Merger Consideration and deposit, or cause to be deposited with, the Exchange Agent, any cash payable in lieu of fractional shares pursuant to Section 3.3(f) (together, the "Exchange Fund").

3.3 Delivery of Merger Consideration.

(a) As soon as reasonably practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of Certificate(s) which immediately prior to the Effective Time represented outstanding shares of Thurston Common Stock whose shares were converted into the right to receive the Merger Consideration pursuant to Section 2.1(b) and any cash in lieu of fractional shares of Commencement Common Stock to be issued or paid in consideration therefor (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to Certificate(s) shall pass, only upon delivery of Certificate(s) (or affidavits of loss in lieu of such Certificates)) to the Exchange Agent and shall be substantially in such form and have such other provisions as shall be prescribed by the Exchange Agent Agreement (the "Letter of Transmittal") and (ii) instructions for use in surrendering Certificate(s) in exchange for the Merger Consideration.

(b) Upon surrender to the Exchange Agent of its Certificate or Certificates, accompanied by a properly completed Letter of Transmittal, a holder of Thurston Common Stock will be entitled to receive promptly after the Effective Time the Merger Consideration. Until so surrendered, each such Certificate shall represent after the Effective Time, for all purposes, only the right to receive, without interest, the Merger Consideration upon surrender of such Certificate in accordance with this Article III.

(c) No dividends or other distributions with respect to Commencement Common Stock shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Commencement Common Stock represented thereby, in each case unless and until the surrender of such Certificate in accordance with this Article III. Subject to the effect of applicable abandoned property, escheat or similar laws, following surrender of any such Certificate in accordance with this Article III, the record holder thereof shall be entitled to receive, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore payable with respect to the whole shares of Commencement Common Stock represented by such Certificate and not paid and/or (ii) at the appropriate payment date, the amount of dividends or other distributions payable with respect to shares of Commencement Common Stock represented by such Certificate with a record date after the Effective Time (but before such surrender date) and with a payment date subsequent to the issuance of the Commencement Common Stock issuable with respect to such Certificate.

(d) In the event of a transfer of ownership of a Certificate representing Thurston Common Stock that is not registered in the stock transfer records of Thurston, the Merger Consideration to be issued or paid in consideration for such Certificate(s) shall be issued or paid in exchange therefor to a Person other than the Person in whose name the Certificate so surrendered is registered if the Certificate formerly representing such Thurston Common Stock shall be properly endorsed or otherwise be in proper form for transfer and the Person requesting such payment or issuance shall pay any transfer or other similar Taxes (as defined in 4.22(i)) required by reason of the payment or issuance to a Person other than the registered holder of the Certificate or establish to the satisfaction of Commencement that the Tax has been paid or is not applicable. The Exchange Agent (or, subsequent to the earlier of (x) six (6) months after the Effective Time and (y) the expiration or termination of the Exchange Agent Agreement, Commencement) shall be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any holder of Thurston Common Stock such amounts as the Exchange Agent or Commencement as the case may be, is required to deduct and withhold under the Code, or any provision of state, local or foreign tax law, with respect to the making of such payment. To the extent the amounts are so withheld by the Exchange Agent or Commencement as the case may be, and timely paid over to the appropriate Governmental Entity, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of shares of Thurston Common Stock in respect of whom such deduction and withholding was made by the Exchange Agent or Commencement as the case may be.

(e) After the Effective Time, there shall be no transfers on the stock transfer books of Thurston of the shares of Thurston Common Stock that were issued and outstanding immediately prior to the Effective Time other than to settle transfers of Thurston Common Stock that occurred prior to the Effective Time. If, after the Effective Time, Certificates representing such shares are presented for transfer to the Exchange Agent, they shall be cancelled and exchanged for the Merger Consideration in accordance with the procedures set forth in this Article III.

(f) Notwithstanding anything to the contrary contained in this Agreement, no fractional shares of Commencement Common Stock shall be issued upon the surrender of Certificates for exchange, no dividend or distribution with respect to Commencement Common Stock shall be payable on or with respect to any fractional share, and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a shareholder of Commencement. In lieu of the issuance of any such fractional share, Commencement shall pay to each former shareholder of Thurston who otherwise would be entitled to receive such fractional share an amount in cash determined by multiplying (i) the Book Value of a share of Commencement Common Stock on the last day of the month preceding Closing by (ii) the fraction of a share (after taking into account all shares of Thurston Common Stock held by such holder at the Effective Time and rounded to the nearest thousandth when expressed in decimal form) of Commencement Common Stock to which such holder would otherwise be entitled to receive pursuant to Section 2.1(b). For the purposes of this Agreement, the Book Value of Commencement Common Stock shall be determined by dividing the Commencement stockholders' equity minus any intangible assets, in each case calculated in accordance with GAAP, and excluding in such determination any accumulated other comprehensive income (loss) of Commencement (unrealized gain or loss in the Commencement investment portfolio) on the last day of the month preceding Closing by the total

number of shares of Commencement Common Stock outstanding at the date of determination of the Book Value of Commencement Common Stock, without adjustment (the "Book Value").

(g) Any portion of the Exchange Fund that remains unclaimed by the shareholders of Thurston at the expiration of six (6) months after the Effective Time shall be paid to Commencement. In such event, any former shareholders of Thurston who have not theretofore complied with this Article III shall thereafter look only to Commencement with respect to the Merger Consideration, and any unpaid dividends and distributions on the Commencement Common Stock deliverable in respect of each share of Thurston Common Stock such shareholder holds as determined pursuant to this Agreement, in each case, without any interest thereon. Notwithstanding the foregoing, none of Commencement, the Surviving Bank, the Exchange Agent or any other Person shall be liable to any former holder of shares of Thurston Common Stock for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

(h) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Commencement or the Exchange Agent, the posting by such Person of a bond in such amount as Commencement may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration deliverable in respect thereof pursuant to this Agreement.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THURSTON**

Except as (i) Previously Disclosed (as defined in Section 10.1) or (ii) disclosed in the Thurston Financial Statements (as defined in Section 4.6) as of December 31, 2015 (but excluding any disclosure included in any "forward-looking statements" disclaimer or any other statements that are similarly non-specific or predictive or forward-looking in nature), Thurston hereby represents and warrants to Commencement as follows:

##### **4.1 Organization, Standing and Power.**

(a) Thurston (i) is an entity duly organized, validly existing and in good standing under the laws of the State of Washington, (ii) has all requisite corporate or similar power and authority to own, lease and operate its properties and to carry on its business as now being conducted and (iii) is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties or assets makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not have a Material Adverse Effect (as defined in Section 4.7) on Thurston. The deposit accounts of Thurston are insured by the FDIC in the manner and to the maximum extent provided by applicable law, and Thurston has paid all deposit insurance premiums and assessments required by applicable laws and regulations. No Action for the revocation or termination of such deposit insurance is pending or, to the knowledge of Thurston, threatened.

(b) Thurston has no subsidiaries. As used in this Agreement, the term "Subsidiary", when used with respect to the Parties, means any bank, corporation, partnership, limited liability company or other organization, whether incorporated or unincorporated, that is consolidated with such party for financial reporting purposes under U.S. generally accepted accounting principles ("GAAP").

(c) Thurston has previously made available to Commencement true and complete copies of Thurston's articles of incorporation (the "Thurston Charter") and bylaws (the "Thurston Bylaws"), in each case as amended or restated to the date of this Agreement and as in full force and effect. Thurston is not in violation of any provision of the Thurston Charter or Thurston Bylaws. The minute books of Thurston previously made available to Commencement contain true, complete and correct records in all material respects of all meetings and other material corporate actions held or taken of its shareholders and Board of Directors (including committees of its Board of Directors) through the date hereof.

#### 4.2 Capitalization.

(a) The authorized capital stock of Thurston consists of 10,000,000 shares of Thurston Common Stock of which, as of the date hereof, 1,353,724 are issued and outstanding, and 2,500,000 shares of Thurston preferred stock, of which no shares are issued and outstanding. As of the date hereof, Thurston held no shares of Thurston Common Stock in its treasury. All of the issued and outstanding shares of Thurston Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. As of the date hereof, no bonds, debentures, notes or other indebtedness having the right to vote on any matters on which shareholders of Thurston may vote ("Voting Debt") are issued or outstanding. As of the date hereof, except as disclosed in Disclosure Schedule 4.2(a), Thurston does not have and is not bound by any outstanding subscriptions, options, warrants, calls, rights, commitments or agreements of any character ("Rights") calling for the purchase or issuance of, or the payment of any amount based on, any shares of Thurston Common Stock, Voting Debt or any other equity securities of Thurston or any securities representing the right to purchase or otherwise receive any shares of Thurston Common Stock, Voting Debt or other equity securities of Thurston. There are no contractual obligations of Thurston (i) to repurchase, redeem or otherwise acquire any shares of capital stock of Thurston or any equity security of Thurston or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of Thurston or (ii) pursuant to which Thurston could be required to register shares of its capital stock or other securities under the Securities Act of 1933, as amended (the "Securities Act").

(b) Except as disclosed in Disclosure Schedule 4.2(b), Thurston does not own any equity or profit-and-loss interest in any individual, bank, corporation, partnership or joint venture, limited liability company, association, joint-stock company, business trust or unincorporated organization ("Person"), other than readily marketable securities, securities held-to-maturity in its investment portfolio, stock in the Federal Home Loan Bank of Des Moines ("FHLB"), and Pacific Coast Bankers' Bank.

(c) Thurston does not have a dividend reinvestment plan or any shareholders rights plan.

#### 4.3 Authority; No Violation.

(a) Thurston has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly approved by the Board of Directors of Thurston. As of the date of this Agreement, the Board of Directors of Thurston has determined that this Agreement is advisable and in the best interests of Thurston and its shareholders and has directed that this Agreement be submitted to the shareholders of Thurston for approval at a duly held meeting of such shareholders and has adopted a resolution to the foregoing effect. Except for receipt of the affirmative vote to approve this Agreement by the holders of two-thirds of the outstanding shares of Thurston Common Stock at a meeting called therefor (the "Thurston Shareholder Approval"), this Agreement and the transactions contemplated hereby have been authorized by all necessary corporate action. This Agreement has been duly and validly executed and delivered by Thurston and (assuming due authorization, execution and delivery by Commencement) constitutes the valid and binding obligations of Thurston, enforceable against Thurston in accordance with its terms (except as may be limited by bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization or similar laws of general applicability relating to or affecting the rights of creditors generally and subject to general principles of equity (the "Bankruptcy and Equity Exception")).

(b) Except as disclosed in Disclosure Schedule 4.3(b), neither the execution and delivery of this Agreement by Thurston nor the consummation by Thurston of the transactions contemplated in this Agreement, will (i) assuming that the Thurston Shareholder Approval is duly obtained or given, violate any provision of the Thurston Charter or Thurston Bylaws or (ii) assuming that the consents, approvals and filings referred to in Section 4.4 are duly obtained and/or made, (A) violate any law, judgment, order, injunction or decree applicable to Thurston, or any of its respective properties or assets in a manner that could reasonably be expected to have a Material Adverse Effect on Thurston or (B) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the respective properties or assets of Thurston under, any of the terms, conditions or provisions of any material note, bond, mortgage, indenture, deed of trust, license, lease, franchise, permit, agreement, bylaw or other instrument or obligation to which Thurston is a party or by which any of its respective properties or assets are bound.

4.4 Consents and Approvals. Except for (i) the filing of any required applications, filings or notices with the Board of Governors of the Federal Reserve System ("FRB"), the Washington State Department of Financial Institutions (the "DFI"), the Federal Deposit Insurance Corporation (the "FDIC"), (each a "Governmental Entity") and approval of or non-objection to such applications, (the "Regulatory Approvals"), and (ii) the filing of the Articles of Merger contemplated by Section 1.2 and the filing of any required documents with the DFI and the FRB to cause the Merger to become effective, no consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with the execution and delivery by Thurston of this Agreement.

#### 4.5 Reports.

(a) Thurston has timely filed all reports, registrations, statements and certifications, together with any amendments required to be made with respect thereto, that they were required to file since December 31, 2011 and prior to the date hereof with Governmental Entities, and have paid all fees and assessments due and payable in connection therewith.

(b) Thurston is not required to file periodic reports with any Governmental Authority pursuant to the Exchange Act (the "Exchange Act").

#### 4.6 Financial Statements.

(a) The audited consolidated balance sheets (including related notes and schedules, if any) of Thurston as of December 31, 2014 and 2015 and the statements of operations, shareholders' equity, and cash flows (including related notes and schedules, if any) of Thurston and for each of the three years ended December 31, 2015, 2014 and 2013 (collectively, the "Thurston Financial Statements") have been previously made available to Commencement. The Thurston Financial Statements have been prepared in accordance with GAAP (including the related notes) and fairly present the financial position, results of operations and cash flows of Thurston as of and for the respective periods ending on the dates thereof, in accordance with GAAP consistently applied during the periods involved, except as indicated in the notes thereto. The financial and accounting books and records of Thurston have been maintained in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions.

(b) The call reports of Thurston and accompanying schedules, as filed (or to be filed) with the FDIC, for each calendar quarter beginning with the quarter ended December 31, 2011, through the Closing Date (the "Thurston Call Reports") have been (or will be) prepared in accordance with regulatory requirements including applicable regulatory accounting principles and practices through the periods covered by such reports.

(c) At the date of each balance sheet included in the Thurston Financial Statements or the Thurston Call Reports, as applicable, had no liabilities, obligations or loss contingencies of any nature (whether absolute, accrued, contingent or otherwise) of a type required to be reflected in such Thurston Financial Statements or Thurston Call Reports or in the footnotes thereto which are not fully reflected or reserved against therein or fully disclosed in a footnote thereto, except for liabilities, obligations and loss contingencies which are not material individually or in the aggregate and were incurred in the ordinary course of business consistent with past practice.

(d) The records, systems, controls, data and information of Thurston are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of Thurston or its accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a material adverse effect on Thurston's system of internal accounting controls.

(e) Since December 31, 2011, (i) neither Thurston nor, to the knowledge of Thurston, any director, officer, employee, auditor, accountant or representative of Thurston has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Thurston or its internal accounting controls, including any material complaint, allegation, assertion or claim that Thurston has engaged in questionable accounting or auditing practices, and (ii) no attorney representing Thurston or other Person, whether or not employed by Thurston, has reported evidence of a material violation of securities laws, breach of fiduciary duty or violation of banking or other laws by Thurston or any of their officers, directors, employees or agents to the Board of Directors or senior management of Thurston or any committee thereof or to any director or officer of Thurston.

4.7 Absence of Changes. Since December 31, 2015, (a) no event or events have occurred that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on Thurston and (b) Thurston has operated and conducted its business consistent with past practices. As used in this Agreement, the term "Material Adverse Effect" means, with respect to Commencement or Thurston, as the case may be, a material adverse effect on (i) the financial condition, results of operations or business of such party taken as a whole (provided, however, that, with respect to this clause (i), a "Material Adverse Effect" shall not be deemed to include effects arising out of, relating to or resulting from (A) changes in GAAP or regulatory accounting requirements, (B) changes in laws, rules or regulations or interpretations of laws, rules or regulations by Governmental Entities of general applicability to companies in the industries in which such party operates, (C) changes in global, national or regional political conditions or general economic or market conditions (including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets) affecting other companies in the industries in which such party operates, (D) changes in the credit markets, any downgrades in the credit markets, or adverse credit events resulting in deterioration in the credit markets generally, (E) failure to meet earnings projections or internal financial forecasts, but not including any underlying causes thereof, (F) the public disclosure of this Agreement or the transactions contemplated hereby or the consummation of the transactions contemplated hereby, (G) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, (H) any adjustments pursuant to U.S. Financial Accounting Standards 115 or (I) actions or omissions taken with the prior written consent of the other party or expressly required or permitted by this Agreement, except, with respect to clauses (A), (B) and (C), to the extent that the effects of such change are disproportionately adverse to the financial condition, results of operations or business of such party, taken as a whole, as compared to other companies in the industry in which such party operates or (ii) the ability of such party to timely consummate the transactions contemplated by this Agreement.

#### 4.8 Compliance with Applicable Law.

(a) Thurston is and, at all times since December 31, 2011, has been, in compliance in all material respects with all laws applicable to its business, operations, properties or assets, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, the Bank Secrecy Act and all other applicable fair lending laws and other laws relating to

discriminatory business practices. Thurston is not aware of any facts or circumstances that would cause it to believe that any nonpublic customer information possessed by it has been disclosed to, or accessed by, an unauthorized third party in a manner that would require or cause it to undertake any material remedial action. Thurston has in effect, and at all relevant times since December 31, 2011 held, all material permits, licenses, variances, exemptions, authorizations, operating certificates, franchises, orders and approvals of all Governmental Entities (collectively, "Permits") necessary for it to own, lease or operate its properties and assets and to carry on its businesses and operations as now conducted, and to Thurston's knowledge, no suspension or cancellation of any such Permits is threatened and there has occurred no violation of, default (with or without notice or lapse of time or both) under or event giving to others any right of revocation, non-renewal, adverse modification or cancellation of, with or without notice or lapse of time or both, any such Permit. For the purposes of this Agreement, use of the phrase "to the knowledge" of Thurston or Commencement, as applicable, or reference to the knowledge or awareness of Thurston or Commencement, as applicable, means the actual knowledge of, or information that should have been reasonably known by, an executive officer of such party after reasonable inquiry of subordinate officers who should likely have knowledge of such facts, events or circumstances.

(b) Except as disclosed in Disclosure Schedule 4.8(b), since December 31, 2011, Thurston has not received any written notification or communication from any Governmental Entity (i) requiring Thurston to enter into or consent to the issuance of a cease and desist order, formal or written agreement, directive, commitment, memorandum of understanding, extraordinary supervisory letter or other formal or informal enforcement action of any kind that imposes any material restrictions on its conduct of business or that relates to its capital adequacy, its credit or risk management policies, its dividend policy, its management, its business or its operations (any of the foregoing, a "Thurston Regulatory Agreement"), or (ii) threatening or contemplating revocation or limitation of, or which would have the effect of revoking or limiting, FDIC insurance coverage, and, nor has Thurston been advised by any Governmental Entity that such Governmental Entity is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such judgment, order, injunction, rule, agreement, memorandum of understanding, commitment letter, supervisory letter, decree or similar submission. Thurston is not party to or subject to any Thurston Regulatory Agreement.

(c) Since December 31, 2011, Thurston has not been (i) in default or violation of, (ii) under investigation with respect to, or (iii) threatened to be charged with or given notice of any violation of, any law, other than non-material violations that have been discharged or remedied.

(d) Thurston, nor to the knowledge of Thurston, any of its directors, executives, representatives, agents or employees (i) has used or is using any corporate funds for any illegal contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) has used or is using any corporate funds for any direct or indirect unlawful payments to any foreign or domestic governmental officials or employees, (iii) has violated or is violating any provision of the Foreign Corrupt Practices Act of 1977, (iv) has established or maintained, or is maintaining, any unlawful fund of corporate monies or other properties or (v) has made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment of any nature.

#### 4.9 Material Contracts; Defaults.

(a) Except as disclosed in Disclosure Schedule 4.9, Thurston is not bound by or subject to any agreement, contract, arrangement, commitment or understanding (whether written or oral) (each a "Thurston Material Contract"): (i) that is a "material contract" within the meaning of Item 601(b)(10) of the SEC's Regulation S-K; (ii) that (A) limits or would limit in any respect the manner in which, or the localities in which, Thurston may conduct its business, (B) that obligates Thurston to conduct business with any Person to the exclusion of others, or (C) other than provisions of standard vendor, service or supply contracts entered into the ordinary course of business, limits or would limit in any way the ability of Thurston to solicit prospective employees or customers or would so limit or purport to limit the ability of Commencement or any of its affiliates to do so following consummation of the transactions contemplated by this Agreement; or (iii) for the purchase of services, materials, supplies, goods, equipment or for the purchase, lease or license of other assets or property that provides for, or that creates future payment obligations in excess of, either (x) annual payments of Fifteen Thousand Dollars (\$15,000) or more, or (y) aggregate payments of Twenty-Five Thousand Dollars (\$25,000) or more, other than contracts that can be terminated by Thurston on thirty (30) days or less written notice at any time without penalty or premium.

(b) Neither Thurston nor to Thurston's knowledge, any counterparty or counterparties, is in breach of any Thurston Material Contract.

#### 4.10 Thurston Benefit Plans.

(a) With respect to each Thurston Benefit Plan (as defined in this Section 4.10(g)), Thurston has provided to Commencement a current, correct and complete copy (or, to the extent no such copy exists, an accurate description) thereof and, to the extent applicable: (i) the Thurston Benefit Plan, the related trust agreement or other funding instrument (if any), and any other related documents (including all amendments to such Thurston Benefit Plan and related documents); (ii) the most recent determination or opinion letter, if applicable; (iii) any summary plan description and other material written communications, other than individual pension benefit statements provided in accordance with Section 105 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (or a description of any oral communications) by Thurston to any current or former employee or director of Thurston or other beneficiaries concerning the extent of the benefits provided under a Thurston Benefit Plan; (iv) all material communications to or from the Internal Revenue Service ("IRS") or any other Governmental Entity relating to each Thurston Benefit Plan; and (v) for the three most recent years (A) the Form 5500 and attached schedules, (B) audited financial statements and (C) actuarial valuation reports.

(b) (i) Each Thurston Benefit Plan has been established, operated and administered in all material respects in accordance with its terms, and in compliance in all material respects with the applicable provisions of ERISA, the Code and other laws; (ii) each Thurston Benefit Plan which is intended to be qualified within the meaning of Section 401(a) of the Code is so qualified (and each corresponding trust is exempt under Section 501 of the Code) and has received or is the subject of a favorable determination letter or uses a prototype document that is subject to a favorable opinion letter relating to the most recently completed IRS remedial amendment period cycle, and, to the knowledge of Thurston, nothing has occurred (whether by

action or failure to act) that could reasonably be expected to adversely affect the qualified status of any Thurston Benefit Plan (or the exempt status of any related trust) or require the filing of a submission under the IRS's employee plans compliance resolution system ("EPCRS") or the taking of other corrective action pursuant to EPCRS in order to maintain such qualified (or exempt) status, and no Thurston Benefit Plan is the subject of any pending correction or application under EPCRS; (iii) no "reportable event" (as such term is defined in Section 4043 of ERISA) that could reasonably be expected to result in liability has occurred with respect to any Thurston Benefit Plan, no non-exempt "prohibited transaction" (as such term is defined in Section 406 of ERISA and Section 4975 of the Code) has been engaged in by Thurston with respect to any Thurston Benefit Plan that has or is expected to result in any material liability, and no "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA and Section 412 of the Code (whether or not waived) has occurred with respect to any Thurston Benefit Plan; (iv) there does not now exist, nor do any circumstances exist that would reasonably be expected to result in, any Controlled Group Liability that would be a liability of Thurston; (v) except as expressly contemplated by this Agreement, there is no present intention by Thurston that any Thurston Benefit Plan be amended, suspended or terminated, or otherwise modified to change benefits (or the levels thereof) in a manner that results in an increased cost to Thurston (other than an immaterial increase in administrative costs or changes required by law) under any Thurston Benefit Plan at any time within the twelve months immediately following the date hereof ; (vi) Thurston has not incurred any current or projected liability under any Thurston Benefit Plan (or any other plan or arrangement to which Thurston is a party) in respect of post-employment or post-retirement health, medical or life insurance benefits for current, former or retired employees of Thurston, except as required to avoid an excise tax under Section 4980B of the Code or otherwise except as may be required pursuant to any other laws; (vii) each of the Thurston Benefit Plans that is intended to satisfy the requirements of Section 125, 423 or 501(c)(9) of the Code satisfies such requirements; (viii) there is no unfunded (unaccrued) cost or unamortized cost related to past service or otherwise under any Thurston Benefit Plan; (ix) no Thurston Benefit Plan is funded through a "welfare benefit fund" as defined in Section 419 of the Code; and (x) all contributions required to have been made under the terms of any Thurston Benefit Plan or pursuant to ERISA and the Code have been timely made and, to the extent required, all obligations in respect of each Thurston Benefit Plan have been properly accrued and reflected in the Thurston Financial Statements. As used in this Agreement, the term "Controlled Group Liability" means any and all liabilities (i) under Title IV of ERISA, (ii) Section 302 or 4068(a) of ERISA, (iii) under Sections 412, 430 and 4971 of the Code, and (iv) as a result of a failure to comply with the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code.

(c) Thurston has never maintained, sponsored or contributed to a plan subject to Title IV of ERISA. Thurston does not maintain or contribute to, or within the last ten years maintained or contributed to, a "multiemployer plan" within the meaning of Section 4001(a)(iii) of ERISA or a "multiple employer welfare arrangement" (as defined in Section 3(40) of ERISA).

(d) With respect to any Thurston Benefit Plan, (i) no material actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to the knowledge of Thurston, threatened, (ii) no facts or circumstances exist that could reasonably be expected to give rise to any such material actions, suits or claims, (iii) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the IRS or any other Governmental Entity is pending, in progress or, to the knowledge of Thurston, threatened,

and (iv) there is no judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against or in favor of any Thurston Benefit Plan or any fiduciary thereof (other than rules of general applicability). None of the assets of Thurston are subject to any Lien arising under ERISA or Subchapter D of Chapter 1 of the Code and no condition exists that presents a material risk of any such Lien arising.

(e) Except as disclosed in Disclosure Schedule 4.10(e), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, could result in or is a precondition to (i) any payment (including, severance, unemployment compensation or "excess parachute payment" (within the meaning of Section 280G of the Code), forgiveness of indebtedness or otherwise) becoming due to any current or former employee, officer or director of Thurston from Thurston under any Thurston Benefit Plan or otherwise, (ii) any increase in compensation or benefits otherwise payable under any Thurston Benefit Plan, (iii) any acceleration of the time of payment or vesting of any such benefits, (iv) the requirement to fund or increase the funding of any such benefits (through a grantor trust or otherwise), (v) except as otherwise provided in this Agreement, any limitation on the right of Thurston to (A) amend, merge or terminate any Thurston Benefit Plan or related trust or (B) receive a reversion of assets from any Thurston Benefit Plan or related trust, (vi) the renewal or extension of the term of any agreement regarding the compensation of any current or former employee of Thurston, or (vii) any payments under any of the Thurston Benefit Plans or otherwise which would not be deductible under Section 162(m) or 280G of the Code. Except as otherwise provided in this Agreement, Thurston has not taken, or permitted to be taken, any action that required, and no circumstances exist that will require, the funding, or the increase in the funding, of any benefits under any Thurston Benefit Plan or resulted, or will result, in any limitation on the right of Thurston to amend, merge, terminate or receive a reversion of assets from any Thurston Benefit Plan or related trust.

(f) Each Thurston Benefit Plan that is in any part a "nonqualified deferred compensation plan" subject to Section 409A of the Code (i) materially complies and, at all times after December 31, 2011 has materially complied, both in form and operation, with the requirements of Section 409A of the Code and the final regulations thereunder and (ii) between January 1, 2005 and December 31, 2008 was operated in good faith compliance with Section 409A of the Code, as determined under applicable guidance of the Department of the Treasury and the IRS. The determination of "fair market value" for grants and awards under the Thurston Stock Plan have at all relevant times complied with Section 409A of the Code and the applicable regulations and guidance thereunder.

(g) For purposes of this Agreement, "Thurston Benefit Plans" means any "employee benefit plan" as defined in Section 3(3) of ERISA, and all other benefit plans, arrangements or agreements, including any other employment, consulting, bonus, incentive or deferred compensation, vacation, stock option or other equity-based, severance, termination, retention, change of control, pension, profit-sharing, employee stock ownership, fringe benefit or other similar plan, program, agreement or commitment, whether written or unwritten, whether or not subject to ERISA, or whether formal or informal, for the benefit of any employee, former employee, director or former director of Thurston entered into, maintained or contributed to by Thurston or to which Thurston is obligated to contribute, or with respect to which Thurston has any liability, direct or indirect, contingent or otherwise (including any liability arising out of an indemnification, guarantee, hold harmless or similar agreement) or otherwise providing benefits

to any current, former or future employee, officer or director of Thurston or to any beneficiary or dependent thereof.

4.11 Litigation. There is no action, suit, charge, claim, arbitration, investigation, inquiry, grievance, demand or other proceeding (each, an "Action"), whether judicial, arbitral, administrative or other, pending or, to the knowledge of Thurston, threatened against or affecting Thurston or any of their respective properties or assets, or any present or former officer, director or employee of Thurston in such individual's capacity as such, other than Actions that individually involve a monetary claim not in excess of Twenty-Five Thousand Dollars (\$25,000). Neither Thurston nor any of its properties or assets is subject to any outstanding judgment, order, injunction, rule or decree of any Governmental Entity.

4.12 Approvals. As of the date of this Agreement, Thurston knows of no reason why all Regulatory Approvals required for the consummation of the transactions contemplated by this Agreement should not be obtained on a timely basis.

4.13 Opinion. The Thurston Board has received the opinion (which, if initially rendered verbally, has been or will be confirmed by a written opinion, dated the same date) of D. A. Davidson & Co. to the effect that, as of the date of such opinion, and based upon and subject to the assumptions, qualifications, limitations and other matters stated therein, the Merger Consideration (as specified in the opinion) is fair to the holders of Thurston Common Stock from a financial point of view.

4.14 Thurston Information. The information relating to Thurston that is provided by Thurston or its representatives for inclusion in the Joint Proxy Statement/Offering Memorandum, or in any application, notification or other document filed with any Governmental Entity in connection with the transactions contemplated by this Agreement, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading.

4.15 Labor Matters.

(a) There are no collective bargaining agreements or other labor union contracts, agreements or understandings applicable to any employees of Thurston. There is no labor dispute, strike, work stoppage or lockout, or, to the knowledge of Thurston, threat thereof, by or with respect to any employees of Thurston, and there has been no labor dispute, strike, work stoppage, lockout or other work related disruption in the previous three years. To the knowledge of Thurston, there are no organizational efforts with respect to the formation of a collective bargaining unit presently being made or threatened involving employees of Thurston. Thurston is in substantial compliance with all applicable laws respecting employment and employment practices, terms and conditions of employment, wages, hours of work, occupational safety and health, disability, non-discrimination in employment and workers' compensation. No Action asserting that Thurston has committed an unlawful employment practice or an unfair labor practice (within the meaning of the National Labor Relations Act of 1935) or seeking to compel Thurston to bargain with any labor organization as to wages or conditions of employment is pending or, to the knowledge of Thurston, threatened with respect to Thurston before the National Labor Relations Board, the Equal

Employment Opportunity Commission, the Department of Labor or any other Governmental Entity.

(b) Thurston is not a party to, or otherwise bound by, any consent decree with, or citation by, any Governmental Entity relating to employees or employment practices. Neither Thurston nor any of its executive officers has received within the past three years any written notice of intent by any Governmental Entity responsible for the enforcement of labor or employment laws to conduct an investigation relating to Thurston and, to the knowledge of Thurston, no such investigation is in progress.

#### 4.16 Environmental Matters.

(a) (i) Neither Thurston's conduct nor any condition of any property presently or previously owned, leased by it (including in a fiduciary or agency capacity), violates or has violated Environmental Laws; (ii) there has been no release of any Hazardous Substance by Thurston in any manner that has given or would reasonably be expected to give rise to any remedial obligation, corrective action requirement or liability under applicable Environmental Laws; (iii) since December 31, 2011, Thurston has not received any written claims, notices, demand letters or requests for information (except for such claims, notices, demand letters or requests for information the subject matter of which has been resolved prior to the date of this Agreement) from any Governmental Entity or any third party asserting that Thurston or the operation or condition of any property ever owned, leased, operated or held as collateral or in a fiduciary capacity by Thurston are or were in violation of or otherwise are alleged to have liability under any Environmental Law, including responsibility (or potential responsibility) for the cleanup or other remediation of any pollutants, contaminants or hazardous or toxic wastes, substances or materials at, on, beneath or originating from any such property; (iv) no Hazardous Substance has been disposed of, arranged to be disposed of, released or transported in violation of any applicable Environmental Law, or in a manner that has given rise to, or that would reasonably be expected to give rise to, any liability under any Environmental Law, from any current or former properties or facilities while owned or operated by Thurston or as a result of any operations or activities of Thurston at any location, and no other condition has existed or event has occurred with respect to Thurston or any such properties or facilities that, with notice or the passage of time, or both, would be reasonably likely to result in liability under Environmental Laws, and, to the knowledge of Thurston, Hazardous Substances are not otherwise present at or about any such properties or facilities in amount or condition that has resulted in or would reasonably be expected to result in liability to Thurston under any Environmental Law; and (v) neither Thurston, nor any of its respective properties or facilities are subject to, or are, to Thurston's knowledge, threatened to become subject to, any liabilities relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law or any agreement relating to environmental liabilities.

(b) As used in this Agreement, the term "Environmental Law" means any law relating to (i) the protection, preservation or restoration of the environment (including air, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or (ii) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, including the Resource Conservation and Recovery Act, the

Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, the Clean Air Act and the Occupational Safety and Health Act; regulations promulgated thereunder, and state counterparts to the foregoing.

(c) As used in this Agreement, the term "Hazardous Substance" means any substance listed, defined, designated, classified or regulated as a waste, pollutant or contaminant or as hazardous, toxic, radioactive or dangerous or any other term of similar import under any Environmental Law, including petroleum.

#### 4.17 Loan Matters.

(a) Except as disclosed in Disclosure Schedule 4.17(a), there are no outstanding loans to any directors, executive officers and principal shareholders (as such terms are defined in the FRB's Regulation O (12 C.F.R. Part 215)) of Thurston on which the borrower is paying a rate other than that reflected in the note or other relevant credit or security agreement or on which the borrower is paying a rate which was below market at the time the loan was originated.

(b) Each outstanding loan held by Thurston (including loans held for resale to investors) was solicited and originated, and is and has been administered and, where applicable, serviced, and the relevant loan files are being maintained in accordance with the relevant notes or other credit or security documents, Thurston's written underwriting standards (and, in the case of loans held for resale to investors, the underwriting standards, if any, of the applicable investors) and with all applicable laws.

(c) Except as disclosed in Disclosure Schedule 4.17(c), none of the agreements pursuant to which Thurston has sold loans or pools of loans or participations in loans or pools of loans contains any obligation to repurchase such loans or interests therein solely on account of a payment default by the obligor on any such loan.

(d) Each outstanding loan (i) is evidenced by notes, agreements or other evidences of indebtedness that are true, genuine and what they purport to be, (ii) to the extent secured, has been secured by valid Liens which have been perfected with the priority set forth in the loan file and (iii) to the knowledge of Thurston, is a legal, valid and binding obligation of the obligor named therein, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception).

(e) With respect to the loans held by Thurston, Thurston has provided or made available to Commencement in connection with the transactions contemplated hereby the following: (i) all loans (including loan participations) that have been accelerated during the past twelve months; (ii) all loan commitments or lines of credit which have been terminated during the past twelve months by reason of a default or adverse developments in the condition of the borrower or other events or circumstances affecting the credit of the borrower; (iii) all loans, lines of credit and loan commitments as to which it has given written notice of its intent to terminate during the past twelve months; (iv) with respect to any commercial loans (including any commercial real estate loan) with an outstanding balance of one million dollars (\$1,000,000) or more, all notification letters and other written communications from it to any of its borrowers, customers or other parties during the past twelve months wherein it has requested or demanded that actions be

taken to correct existing defaults or facts or circumstances which may become defaults; (v) each borrower, customer or other party which has notified it during the past twenty-four months of, or has asserted against it, in each case in writing, any "lender liability" or similar claim, and, to the knowledge of Thurston, each borrower, customer or other party which has given any oral notification of, or orally asserted to or against it, any such claim; (vi) all loans, (A) that are contractually past due 90 days or more in the payment of principal and/or interest, (B) that are on non-accrual status, (C) that as of the date of this Agreement are classified as "Other Loans Specially Mentioned," "Special Mention," "Substandard," "Doubtful," "Loss," "Classified," "Criticized," "Watch List," or words of similar import, together with the principal amount of and accrued and unpaid interest on each such loan and the identity of the obligor thereunder, (D) where a reasonable doubt exists as to the timely future collectability of principal and/or interest, whether or not interest is still accruing or the loans are less than 90 days past due, (E) where, during the past twelve months, the interest rate terms have been reduced and/or the maturity dates have been extended subsequent to the agreement under which the loan was originally created due to concerns regarding the borrower's ability to pay in accordance with such initial terms, or (F) where a specific reserve allocation exists in connection therewith; and (vii) all assets classified by it as real estate acquired through foreclosure or in lieu of foreclosure, including in-substance foreclosures, and all other assets currently held that were acquired through foreclosure or in lieu of foreclosure.

(f) Except as disclosed in Disclosure Schedule 4.17(f), Thurston's allowance for loan and lease losses is, and shall be as of the Effective Date, in compliance in all material respects with Thurston's existing methodology for determining the adequacy of its allowance for loan losses as well as the standards established by applicable Governmental Authorities and the Financial Accounting Standards Board and is and shall be adequate under all such standards.

#### 4.18 Intellectual Property.

(a) Thurston either owns or licenses all Intellectual Property used by it and necessary for the conduct of its businesses as currently conducted. Thurston is not the licensor of Intellectual Property to any third party. To the knowledge of Thurston, none of the Intellectual Property used by Thurston violates or infringes upon the Intellectual Property rights of any other Person. As of the date hereof, there is no Action pending, or to the knowledge of Thurston, threatened, which challenges the rights of Thurston with respect to Intellectual Property used in its business or which asserts any violation or infringement of the Intellectual Property rights of any other Person.

(b) For purposes of this Agreement, the term "Intellectual Property" means (i) trademarks, service marks, trade names, Internet domain names, designs and logos, together with all registrations and applications related to the foregoing; (ii) patents and industrial designs (including any applications for either of the foregoing); (iii) copyrights (including any registrations and applications for any of the foregoing); and (iv) computer programs, whether in source code or object code form (including any and all software implementation of algorithms, models and methodologies), databases and compilations (including any and all data and collections of data), and all documentation (including user manuals and training materials) related to the foregoing.

4.19 Transactions with Affiliates. There are no agreements, contracts, plans, arrangements or other transactions between Thurston, on the one hand, and any (1) officer or

director of Thurston, (2) record or beneficial owner of five percent (5%) or more of the voting securities of Thurston, (3) affiliate or family member of any such officer, director or record or beneficial owner or (4) other affiliate of Thurston, on the other hand, except those of a type available to non-affiliates of Thurston generally, and compensation and/or benefit arrangements with officers and directors.

#### 4.20 Derivative Instruments and Transactions.

(a) Thurston has provided to Commencement a list of all of its Derivative Transactions. All Derivative Transactions, whether entered into for Thurston's own account or the account of its customers, if any, were entered into (i) in the ordinary course of business consistent with past practice and in accordance with prudent business practices and all applicable laws and (ii) with counterparties believed to be financially responsible at the time. Each Derivative Transaction constitutes the valid and legally binding obligation of Thurston, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception), and is, as of the date hereof, in full force and effect. Neither Thurston, nor to Thurston's knowledge, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement.

(b) As used in this Agreement, the term "Derivative Transaction" means any instrument currently considered to be a "swap" in the banking industry, option, warrant, forward purchase or sale transaction, futures transaction, cap transaction, floor transaction or collar transaction relating to one or more currencies, commodities, bonds, equity securities, loans, interest rates, catastrophe events or weather-related events, credit-related events or conditions or any indexes (including any option with respect to any of these transactions) or combination of any of these transactions, including collateralized mortgage obligations or other similar instruments or any debt or equity instruments evidencing or embedding any such types of transactions, and any related credit support, collateral or other similar arrangements related to such transactions.

4.21 Fiduciary Accounts. Thurston has properly administered in all material respects all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws and regulations. Neither Thurston, nor, to the knowledge of Thurston, any of its directors, officers or employees, has committed any breach of trust with respect to any fiduciary account and the records for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

#### 4.22 Taxes.

(a) All income and other Tax Returns required to have been filed by or with respect to Thurston have been timely filed (taking into account any extension of time to file granted or obtained), and such Tax Returns are accurate and complete in all material respects. All Taxes shown to be payable on such Tax Returns have been paid or will be timely paid and all other Taxes required to be paid by Thurston have been paid or will be timely paid, except for those Taxes being contested in good faith and for which adequate reserves have been established in the Thurston Financial Statements or will be established in financial statements of Thurston. No deficiency for any material amount of Tax has been asserted or assessed by a Governmental Entity in writing

against Thurston that has not been satisfied by payment, settled or withdrawn. There are no Liens for Taxes on the assets of Thurston (except for statutory Liens for Taxes not yet delinquent). There are no outstanding waivers or agreements extending the period for assessment of Taxes for any period with respect to any Tax to which Thurston may be subject. All Taxes not yet due and payable by Thurston have been properly accrued on the financial books and records of Thurston in accordance with GAAP. Thurston is not a party to or bound by or has any obligation under any Tax allocation sharing or similar agreement.

(b) Thurston has complied in all material respects with all applicable laws relating to withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 3121 and 3402 of the Code and similar provisions under any other domestic or foreign tax laws) and have, within the time and the manner prescribed by law, paid over to the proper Governmental Entities all amounts required to be so withheld and paid over under applicable laws. Thurston has complied in all material respects with all information reporting requirements imposed by the Code (and similar provisions under any other domestic or foreign Tax laws).

(c) As of the date of this Agreement, there are no audits, claims or controversies now pending, or to the knowledge of Thurston, threatened in writing against or with respect to Thurston with respect to any Tax or failure to file any Tax Return.

(d) Thurston is not aware of any agreement, plan, or other circumstance or reason that could reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

(e) Thurston has not been a party to any distribution occurring in the last five years in which the parties to such distribution treated the distribution as one to which Section 355 of the Code applied.

(f) No closing agreement pursuant to Section 7121 of the Code (or any similar provision of state, local or foreign law) has been entered into by or with respect to Thurston.

(g) To the knowledge of Thurston, Thurston has not engaged in any "listed transaction" as defined in Section 6707A(c)(2) of the Code and the Treasury Regulations thereunder as a principal, as a material advisor or otherwise.

(h) Thurston has not, since December 31, 2011, been a member of an affiliated group filing a consolidated, joint, combined or unitary Tax Return or (B) has any liability for Taxes of any Person (other than Thurston) arising from the application of Treasury Regulations Section 1.1502-6 or any analogous provision of state, local or foreign law, or as a transferee or successor, by contract, or otherwise.

(i) As used in this Agreement, the term "Taxes" means any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add on minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, including all interest, penalties and additions imposed with respect to such amounts, imposed by any Governmental Entity.

(j) As used in this Agreement, the term "Tax Returns" means all domestic or foreign (whether national, federal, state, provincial, local or otherwise) returns, declarations, statements, reports, schedules, forms, claims for refund and information returns relating to Taxes and including any attachment thereto or amendment thereof.

4.23 Community Reinvestment Act Compliance. Thurston is in compliance in all material respects with the applicable provisions of the Community Reinvestment Act of 1977 and the regulations promulgated thereunder and has received a Community Reinvestment Act rating of "satisfactory" or better in its most recently completed exam, and Thurston has no knowledge of the existence of any fact or circumstance or set of facts or circumstances which could reasonably be expected to result in its current rating being lowered.

4.24 Insurance. Thurston is presently insured for reasonable amounts (and in accordance with all contractual and legal requirements) with financially sound and reputable insurance companies against such risks as companies engaged in a similar business would, in accordance with good business practice, customarily be insured. All of the policies, bonds and other arrangements providing for the foregoing (the "Thurston Insurance Policies") are in full force and effect, the premiums due and payable thereon have been or will be timely paid through the Effective Time, and there is no material breach or default (and no condition exists or event has occurred that, with the giving of notice or lapse of time or both, would constitute such a material breach or default) by Thurston under any of the Thurston Insurance Policies. Thurston has not received any written notice of cancellation or non-renewal of any Thurston Insurance Policy nor, to the knowledge of Thurston, is the termination of any such policies threatened by the insurer, and there is no material claim for coverage by Thurston pending under any of such Thurston Insurance Policies as to which coverage has been denied or disputed by the underwriters of such Thurston Insurance Policies or in respect of which such underwriters have reserved their rights.

4.25 Title. Thurston has good and marketable title in fee simple to all real property owned by it and good and valid title to all personal property owned by it, in each case free and clear of all Liens, except for Liens reflected in Thurston Financial Statements and those which do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by Thurston. Any real property and facilities held under lease by Thurston are valid, subsisting and enforceable leases with such exceptions that are not material and do not interfere with the use made and proposed to be made of such property and facilities by Thurston. Except as disclosed in Disclosure Schedule 4.25, none of such real property or facilities leases will be adversely affected by the consummation of the Merger.

4.26 Investment Portfolio. Except as disclosed in Disclosure Schedule 4.26 and except for pledges to secure public and trust deposits in the ordinary course of business, Liens securing repurchase obligations incurred in the ordinary course of business consistent with past practices, and for FHLB stock, none of the investment securities reflected in the Thurston Financial Statements and none of the investment securities since acquired by Thurston is subject to any restriction, whether contractual or statutory, which impairs the ability of Thurston to freely dispose of such investment at any time, other than those restrictions imposed on securities held to maturity under GAAP and restrictions imposed after the date of this Agreement in connection with future borrowings permitted under this Agreement.

4.27 Books and Records. The corporate and stock (ownership) record books of Thurston are complete and accurate and reflect all meetings, consents, other actions of the boards of directors and shareholders (owners) of Thurston, and all transactions relating to the capital stock and ownership interests in such entities.

4.28 Indemnification. To the knowledge of Thurston, no action or failure to take action by any present or former director, advisory director, officer, employee or agent of Thurston has occurred which would give rise to a material claim by any such individual for indemnification from Thurston.

4.29 Broker's Fees. Neither Thurston nor any of their respective officers, directors, employees or agents has utilized any broker, finder or financial advisor or incurred any liability for any broker's fees, commissions or finder's fees in connection with the Merger or any other transactions contemplated by this Agreement, other than to D. A. Davidson & Co. pursuant to a letter agreement, a true, complete and correct copy of which has been previously delivered to Commencement.

4.30 Transactions in Securities. Since January 1, 2013,

(a) All offers and sales of Thurston Common Stock by Thurston were at all relevant times exempt from, or complied with, the registration requirements of the Securities Act and state securities laws, or were exempt therefrom, and in which case, were in substantial compliance with the FDIC's securities offerings rules and regulations.

(b) Neither Thurston, nor, to the knowledge of Thurston, (A) any director or executive officer of Thurston, (B) any Person related to any such director or officer by blood, marriage or adoption and residing in the same household and (C) any Person who has been knowingly provided material nonpublic information by any one or more of these Persons, has purchased or sold, or caused to be purchased or sold, any shares of Thurston Common Stock or other securities issued by Thurston (1) during any period when Thurston was in possession of material nonpublic information, or (2) in violation of any applicable provision of federal or state securities laws, rules or regulations.

4.31 Registration Obligation. Thurston is not under any obligation, contingent or otherwise, to register any of its securities under the Securities Act.

4.32 Representations Not Misleading. No representation or warranty by Thurston in this Agreement, or in any document furnished to Commencement under and pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they were made, not misleading.

4.33 No Additional Representations. Except for the representations made by Thurston in this Article IV, neither Thurston nor any other Person makes any express or implied representation or warranty with respect to Thurston or its business, operations assets, liabilities, conditions (financial or otherwise) or prospects, and Thurston hereby disclaims any such other representations or warranties.

**ARTICLE V**  
**REPRESENTATIONS AND WARRANTIES OF COMMENCEMENT**

Except as (i) Previously Disclosed (as defined in Section 10.1) or (ii) disclosed in the Commencement Financial Statements (as defined in Section 5.6) as of December 31, 2015 (but excluding any disclosure included in any “forward-looking statements” disclaimer or any other statements that are similarly non-specific or predictive or forward-looking in nature), Commencement hereby represents and warrants to Thurston as follows:

**5.1 Organization, Standing and Power.**

(a) Commencement (i) is an entity duly organized, validly existing and in good standing under the laws of the State of Washington, (ii) has all requisite corporate or similar power and authority to own, lease and operate its properties and to carry on its business as now being conducted and (iii) is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties or assets makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not have a Material Adverse Effect on Commencement. The deposit accounts of Commencement are insured by the FDIC in the manner and to the maximum extent provided by applicable law, and Commencement has paid all deposit insurance premiums and assessments required by applicable laws and regulations. No Action for the revocation or termination of such deposit insurance is pending or, to the knowledge of Thurston, threatened.

(b) Commencement has one (1) Subsidiary, H2JM LLC, of which the sole member is Commencement.

(c) Commencement has previously made available to Thurston true and complete copies of Commencement’s articles of incorporation (the “Commencement Charter”) and bylaws (the “Commencement Bylaws”), in each case as amended or restated to the date of this Agreement and as in full force and effect. Commencement is not in violation of any provision of the Commencement Charter or Commencement Bylaws. The minute books of Commencement previously made available to Thurston contain true, complete and correct records in all material respects of all meetings and other material corporate actions held or taken of its shareholders and Board of Directors (including committees of its Board of Directors) through the date hereof.

**5.2 Capitalization.**

(a) The authorized capital stock of Commencement consists of 10,000,000 shares of Commencement Common Stock of which, as of the date hereof, 2,222,000 shares are issued and outstanding. All of the issued and outstanding shares of Commencement Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights with no personal liability attaching to the ownership thereof. In addition, Commencement has outstanding, 8,500 shares of issued, non-vested restricted common stock grants, 34,000 exercisable options to purchase common stock at a weighted average strike price of \$9.27 (of these, 12,000 are “in the money” at a weighted average exercise price of \$7.85), and 148,500 warrants to purchase common stock at \$10.00 per share, expiring in December, 2016. As of the date of this Agreement, no Voting Debt of Commencement is issued and outstanding. Commencement does

not have any shares of Commencement Common Stock in its treasury. Except as provided in this Section 5.2, Commencement does not have and is not bound by any Rights calling for the purchase or issuance of any shares of Commencement Common Stock, Voting Debt of Commencement or any other equity securities of Commencement or any securities representing the right to purchase or otherwise receive any shares of Commencement Common Stock, Voting Debt of Commencement or other equity securities of Commencement. The shares of Commencement Common Stock to be issued pursuant to the Merger will be duly authorized and validly issued and, at the Effective Time, all such shares will be fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. There are no contractual obligations of Commencement (i) to repurchase, redeem or otherwise acquire any shares of capital stock of Commencement or any equity security of Commencement or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of Commencement or (ii) pursuant to which Commencement could be required to register shares of its capital stock or other securities under the Securities Act.

(b) Except as disclosed in Disclosure Schedule 5.2(b), Commencement does not own any equity or profit-and-loss interest in any Person, other than readily marketable securities, securities held-to-maturity in its investment portfolio, stock in the FHLB, and the Federal Reserve Bank.

(c) Commencement does not have a dividend reinvestment plan or any shareholders rights plan.

### 5.3 Authority; No Violation.

(a) Commencement has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. As of the date of this Agreement, the Board of Directors of Commencement has determined that this Agreement is advisable and in the best interests of Commencement and its shareholders and has directed that this Agreement be submitted to the shareholders of Commencement for approval at a duly held meeting of such shareholders and has adopted a resolution to the foregoing effect. Except for receipt of the affirmative vote to approve this Agreement by the holders of two-thirds of the outstanding shares of Commencement Common Stock at a meeting called therefor (the "Commencement Shareholder Approval"), this Agreement and the transactions contemplated hereby have been authorized by all necessary corporate action. This Agreement has been duly and validly executed and delivered by Commencement and (assuming due authorization, execution and delivery by Thurston) constitutes the valid and binding obligations of Commencement enforceable against Commencement in accordance with its terms subject to the Bankruptcy and Equity Exception.

(b) Neither the execution and delivery of this Agreement by Commencement nor the consummation by Commencement of the transactions contemplated in this Agreement, nor compliance by Commencement with any of the terms or provisions of this Agreement, will (i) assuming the Commencement Shareholder Approval is duly obtained or given, violate any provision of the Commencement Charter or the Commencement Bylaws, or (ii) assuming that the consents, approvals and filings referred to in Section 5.4 are duly obtained and/or made, (A) violate any law, judgment, order, injunction or decree applicable to Commencement or any of its

respective properties or assets in a manner that could be reasonably expected to have a Material Adverse Effect on Commencement or (B) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the respective properties or assets of Commencement under any of the terms, conditions or provisions of any material note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Commencement is a party or by which any of its respective properties or assets are bound.

5.4 Consents and Approvals. Except for (i) the Regulatory Approvals, (ii) the filing of the Articles of Merger contemplated by Section 1.2 and the filing of any required documents with the FRB and DFI to cause the Bank Merger to become effective, and approval of listing of such Commencement Common Stock on the OTCQX, no consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with the consummation by Commencement of the Merger, or any of the other transactions contemplated by this Agreement. No consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with the execution and delivery by Commencement of this Agreement.

#### 5.5 Reports.

(a) Commencement has timely filed all reports, registrations, statements and certifications, together with any amendments required to be made with respect thereto, that they were required to file since December 31, 2011 and prior to the date hereof with Governmental Entities, and have paid all fees and assessments due and payable in connection therewith.

(b) Commencement is not required to file periodic reports with any Governmental Authority pursuant to the Exchange Act (the "Exchange Act").

#### 5.6 Financial Statements.

(a) The audited consolidated balance sheets (including related notes and schedules, if any) of Commencement as of December 31, 2014 and 2015 and the statements of operations, shareholders' equity, and cash flows (including related notes and schedules, if any) of Commencement and for each of the three years ended December 31, 2015, 2014 and 2013 (collectively, the "Commencement Financial Statements") have been previously made available to Thurston. The Commencement Financial Statements have been prepared in accordance with GAAP (including the related notes) and fairly present the financial position, results of operations and cash flows of Commencement as of and for the respective periods ending on the dates thereof, in accordance with GAAP consistently applied during the periods involved, except as indicated in the notes thereto. The financial and accounting books and records of Commencement have been maintained in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions.

(b) The call reports of Commencement and accompanying schedules, as filed (or to be filed) with the FDIC, for each calendar quarter beginning with the quarter ended December 31, 2011, through the Closing Date (the "Commencement Call Reports") have been (or

will be) prepared in accordance with regulatory requirements including applicable regulatory accounting principles and practices through the periods covered by such reports.

(c) At the date of each balance sheet included in the Commencement Financial Statements or the Commencement Call Reports, as applicable, had no liabilities, obligations or loss contingencies of any nature (whether absolute, accrued, contingent or otherwise) of a type required to be reflected in such Commencement Financial Statements or Commencement Call Reports or in the footnotes thereto which are not fully reflected or reserved against therein or fully disclosed in a footnote thereto, except for liabilities, obligations and loss contingencies which are not material individually or in the aggregate and were incurred in the ordinary course of business consistent with past practice.

(d) The records, systems, controls, data and information of Commencement are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of Commencement or its accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a material adverse effect on Commencement's system of internal accounting controls.

(e) Since December 31, 2011, (i) neither Commencement nor, to the knowledge of Commencement, any director, officer, employee, auditor, accountant or representative of Commencement has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Commencement or its internal accounting controls, including any material complaint, allegation, assertion or claim that Commencement has engaged in questionable accounting or auditing practices, and (ii) no attorney representing Commencement or other Person, whether or not employed by Commencement, has reported evidence of a material violation of securities laws, breach of fiduciary duty or violation of banking or other laws by Commencement or any of their officers, directors, employees or agents to the Board of Directors or senior management of Commencement or any committee thereof or to any director or officer of Commencement.

5.7 Absence of Changes. Since December 31, 2015, (a) no event or events have occurred that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on Commencement and (b) Commencement has operated and conducted its business consistent with past practices.

#### 5.8 Compliance with Applicable Law.

(a) Commencement is and, at all times since December 31, 2011, has been, in compliance in all material respects with all laws applicable to its business, operations, properties and assets. Commencement has in effect, and at all relevant times since December 31, 2008, held all material Permits necessary for them to own, lease or operate their properties and assets and to carry on their businesses and operations as now conducted, and to Commencement's knowledge, no suspension or cancellation of any such Permits is threatened and there has occurred no violation of, default (with or without notice or lapse of time or both) under or event giving to others any

right of revocation, non-renewal, adverse modification or cancellation of, with or without notice or lapse of time or both, any such Permit. Commencement is and, at all times since December 31, 2011, has been, in compliance in all material respects with all laws applicable to its business, operations, properties or assets, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, the Bank Secrecy Act and all other applicable fair lending laws and other laws relating to discriminatory business practices. Commencement is not aware of any facts or circumstances that would cause it to believe that any nonpublic customer information possessed by it has been disclosed to, or accessed by, an unauthorized third party in a manner that would require or cause it to undertake any material remedial action. Commencement has in effect, and at all relevant times since December 31, 2011 held, all material Permits necessary for it to own, lease or operate its properties and assets and to carry on its business and operations as now conducted, and to Commencement's knowledge, no suspension or cancellation of any such Permits is threatened and there has occurred no violation of, default (with or without notice or lapse of time or both) under or event giving to others any right of revocation, non-renewal, adverse modification or cancellation of, with or without notice or lapse of time or both, any such Permit.

(b) Since December 31, 2011, Commencement has not received any written notification or communication from any Governmental Entity (i) requiring Commencement to enter into or consent to the issuance of a cease and desist order, formal or written agreement, directive, commitment, memorandum of understanding, board resolution, extraordinary supervisory letter or other formal or informal enforcement action of any kind that imposes any material restrictions on its conduct of business or that relates to its capital adequacy, its credit or risk management policies, its dividend policy, its management, its business or its operations (any of the foregoing, a "Commencement Regulatory Agreement"), or (ii) threatening or contemplating revocation or limitation of, or which would have the effect of revoking or limiting, FDIC insurance coverage, and, nor has Commencement or any of its Subsidiaries been advised by any Governmental Entity that such Governmental Entity is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such judgment, order, injunction, rule, agreement, memorandum of understanding, commitment letter, supervisory letter, decree or similar submission. Neither Commencement nor any of its Subsidiaries is party to or subject to any Commencement Regulatory Agreement.

(c) Since December 31, 2011, Commencement has not been (i) in default or violation of, (ii) under investigation with respect to, or (iii) threatened to be charged with or given notice of any violation of, any law, other than non-material violations that have been discharged or remedied.

(d) Commencement, nor to the knowledge of Commencement, any of its directors, executives, representatives, agents or employees (i) has used or is using any corporate funds for any illegal contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) has used or is using any corporate funds for any direct or indirect unlawful payments to any foreign or domestic governmental officials or employees, (iii) has violated or is violating any provision of the Foreign Corrupt Practices Act of 1977, (iv) has established or maintained, or is maintaining, any unlawful fund of corporate monies or other properties or (v) has

made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment of any nature.

#### 5.9 Material Contracts; Defaults.

(a) Except as disclosed in Disclosure Schedule 5.9, Commencement is not bound by or subject to any agreement, contract, arrangement, commitment or understanding (whether written or oral) (each a "Commencement Material Contract"): (i) that is a "material contract" within the meaning of Item 601(b)(10) of the SEC's Regulation S-K; (ii) that (A) limits or would limit in any respect the manner in which, or the localities in which, Commencement may conduct its business, (B) that obligates Commencement to conduct business with any Person to the exclusion of others, or (C) other than provisions of standard vendor, service or supply contracts entered into the ordinary course of business, limits or would limit in any way the ability of Commencement to solicit prospective employees or customers or would so limit or purport to limit the ability of Commencement or any of its affiliates to do so following consummation of the transactions contemplated by this Agreement; or (iii) for the purchase of services, materials, supplies, goods, equipment or for the purchase, lease or license of other assets or property that provides for, or that creates future payment obligations in excess of, either (x) annual payments of Ten Thousand Dollars (\$10,000) or more, or (y) aggregate payments of Twenty-Five Thousand Dollars (\$25,000) or more, other than contracts that can be terminated by Commencement on thirty (30) days or less written notice at any time without penalty or premium.

(b) Neither Commencement nor to Commencement's knowledge, any counterparty or counterparties, is in breach of any Commencement Material Control.

#### 5.10 Commencement Benefit Plans.

(a) With respect to each Commencement Benefit Plan (as defined in Section 5.10(g)), Commencement has provided to Thurston a current, correct and complete copy (or, to the extent no such copy exists, an accurate description) thereof and, to the extent applicable: (i) the Commencement Benefit Plan, the related trust agreement or other funding instrument (if any), and any other related documents (including all amendments to such Commencement Benefit Plan and related documents); (ii) the most recent determination or opinion letter, if applicable; (iii) any summary plan description and other material written communications, other than individual pension benefit statements provided in accordance with Section 105 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (or a description of any oral communications) by Commencement to any current or former employee or director of Commencement or other beneficiaries concerning the extent of the benefits provided under a Commencement Benefit Plan; (iv) all material communications to or from the Internal Revenue Service ("IRS") or any other Governmental Entity relating to each Commencement Benefit Plan; and (v) for the three most recent years (A) the Form 5500 and attached schedules, (B) audited financial statements and (C) actuarial valuation reports.

(b) (i) Each Commencement Benefit Plan has been established, operated and administered in all material respects in accordance with its terms, and in compliance in all material respects with the applicable provisions of ERISA, the Code and other laws; (ii) each Commencement Benefit Plan which is intended to be qualified within the meaning of Section

401(a) of the Code is so qualified (and each corresponding trust is exempt under Section 501 of the Code) and has received or is the subject of a favorable determination letter or uses a prototype document that is subject to a favorable opinion letter relating to the most recently completed IRS remedial amendment period cycle, and, to the knowledge of Commencement, nothing has occurred (whether by action or failure to act) that could reasonably be expected to adversely affect the qualified status of any Commencement Benefit Plan (or the exempt status of any related trust) or require the filing of a submission under the IRS's employee plans compliance resolution system ("EPCRS") or the taking of other corrective action pursuant to EPCRS in order to maintain such qualified (or exempt) status, and no Commencement Benefit Plan is the subject of any pending correction or application under EPCRS; (iii) no "reportable event" (as such term is defined in Section 4043 of ERISA) that could reasonably be expected to result in liability has occurred with respect to any Commencement Benefit Plan, no non-exempt "prohibited transaction" (as such term is defined in Section 406 of ERISA and Section 4975 of the Code) has been engaged in by Commencement with respect to any Commencement Benefit Plan that has or is expected to result in any material liability, and no "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA and Section 412 of the Code (whether or not waived) has occurred with respect to any Commencement Benefit Plan; (iv) there does not now exist, nor do any circumstances exist that would reasonably be expected to result in, any Controlled Group Liability that would be a liability of Commencement; (v) except as expressly contemplated by this Agreement, there is no present intention by Commencement that any Commencement Benefit Plan be amended, suspended or terminated, or otherwise modified to change benefits (or the levels thereof) in a manner that results in an increased cost to Commencement (other than an immaterial increase in administrative costs or changes required by law) under any Commencement Benefit Plan at any time within the twelve months immediately following the date hereof; (vi) Commencement has not incurred any current or projected liability under any Commencement Benefit Plan (or any other plan or arrangement to which Commencement is a party) in respect of post-employment or post-retirement health, medical or life insurance benefits for current, former or retired employees of Commencement, except as required to avoid an excise tax under Section 4980B of the Code or otherwise except as may be required pursuant to any other laws; (vii) each of the Commencement Benefit Plans that is intended to satisfy the requirements of Section 125, 423 or 501(c)(9) of the Code satisfies such requirements; (viii) there is no unfunded (unaccrued) cost or unamortized cost related to past service or otherwise under any Commencement Benefit Plan; (ix) no Commencement Benefit Plan is funded through a "welfare benefit fund" as defined in Section 419 of the Code; and (x) all contributions required to have been made under the terms of any Commencement Benefit Plan or pursuant to ERISA and the Code have been timely made and, to the extent required, all obligations in respect of each Commencement Benefit Plan have been properly accrued and reflected in the Commencement Financial Statements. As used in this Agreement, the term "Controlled Group Liability" means any and all liabilities (i) under Title IV of ERISA, (ii) Section 302 or 4068(a) of ERISA, (iii) under Sections 412, 430 and 4971 of the Code, and (iv) as a result of a failure to comply with the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code.

(c) Commencement has never maintained, sponsored or contributed to a plan subject to Title IV of ERISA. Commencement does not maintain or contribute to, or within the last ten years maintained or contributed to, a "multiemployer plan" within the meaning of Section 4001(a)(iii) of ERISA or a "multiple employer welfare arrangement" (as defined in Section 3(40) or ERISA).

(d) With respect to any Commencement Benefit Plan, (i) no material actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to the knowledge of Commencement, threatened, (ii) no facts or circumstances exist that could reasonably be expected to give rise to any such material actions, suits or claims, (iii) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the IRS or any other Governmental Entity is pending, in progress or, to the knowledge of Commencement, threatened, and (iv) there is no judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against or in favor of any Commencement Benefit Plan or any fiduciary thereof (other than rules of general applicability). None of the assets of Commencement are subject to any Lien arising under ERISA or Subchapter D of Chapter 1 of the Code and no condition exists that presents a material risk of any such Lien arising.

(e) Except as disclosed in Disclosure Schedule 5.10(e), neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, could result in or is a precondition to (i) any payment (including, severance, unemployment compensation or "excess parachute payment" (within the meaning of Section 280G of the Code), forgiveness of indebtedness or otherwise) becoming due to any current or former employee, officer or director of Commencement from Commencement under any Commencement Benefit Plan or otherwise, (ii) any increase in compensation or benefits otherwise payable under any Commencement Benefit Plan, (iii) any acceleration of the time of payment or vesting of any such benefits, (iv) the requirement to fund or increase the funding of any such benefits (through a grantor trust or otherwise), (v) except as otherwise provided in this Agreement, any limitation on the right of Commencement to (A) amend, merge or terminate any Commencement Benefit Plan or related trust or (B) receive a reversion of assets from any Commencement Benefit Plan or related trust, (vi) the renewal or extension of the term of any agreement regarding the compensation of any current or former employee of Commencement, or (vii) any payments under any of the Commencement Benefit Plans or otherwise which would not be deductible under Section 162(m) or 280G of the Code. Except as otherwise provided in this Agreement, Commencement has not taken, or permitted to be taken, any action that required, and no circumstances exist that will require, the funding, or the increase in the funding, of any benefits under any Commencement Benefit Plan or resulted, or will result, in any limitation on the right of Commencement to amend, merge, terminate or receive a reversion of assets from any Commencement Benefit Plan or related trust.

(f) Each Commencement Benefit Plan that is in any part a "nonqualified deferred compensation plan" subject to Section 409A of the Code (i) materially complies and, at all times after December 31, 2011 has materially complied, both in form and operation, with the requirements of Section 409A of the Code and the final regulations thereunder and (ii) between January 1, 2005 and December 31, 2008 was operated in good faith compliance with Section 409A of the Code, as determined under applicable guidance of the Department of the Treasury and the IRS. The determination of "fair market value" for grants and awards under the Commencement Stock Plan have at all relevant times complied with Section 409A of the Code and the applicable regulations and guidance thereunder.

(g) For purposes of this Agreement, "Commencement Benefit Plans" means any "employee benefit plan" as defined in Section 3(3) of ERISA, and all other benefit plans, arrangements or agreements, including any other employment, consulting, bonus, incentive or

deferred compensation, vacation, stock option or other equity-based, severance, termination, retention, change of control, pension, profit-sharing, employee stock ownership, fringe benefit or other similar plan, program, agreement or commitment, whether written or unwritten, whether or not subject to ERISA, or whether formal or informal, for the benefit of any employee, former employee, director or former director of Commencement entered into, maintained or contributed to by Commencement or to which Commencement is obligated to contribute, or with respect to which Commencement has any liability, direct or indirect, contingent or otherwise (including any liability arising out of an indemnification, guarantee, hold harmless or similar agreement) or otherwise providing benefits to any current, former or future employee, officer or director of Commencement or to any beneficiary or dependent thereof.

5.11 Litigation. There is no Action, whether judicial, arbitral, administrative or other, pending or, to the knowledge of Commencement threatened against or affecting Commencement any of its respective properties or assets, or any present or former officer, director or employee of Commencement in such individual's capacity as such, other than Actions that individually involve a monetary claim not in excess of Twenty-Five Thousand Dollars (\$25,000). Neither Commencement nor any of its properties or assets is subject to any outstanding judgment, order, injunction, rule or decree of any Governmental Entity.

5.12 Approvals. As of the date of this Agreement, Commencement knows of no reason why all Regulatory Approvals required for the consummation of the transactions contemplated by this Agreement should not be obtained on a timely basis.

5.13 Opinion. The Commencement Board has received the opinion (which, if initially rendered verbally, has been or will be confirmed by a written opinion, dated the same date) of Performance Trust Capital Partners, LLC to the effect that, as of the date of such opinion, and based upon and subject to the assumptions, qualifications, limitations and other matters stated therein, the Merger Consideration (as specified in the opinion) to be paid to the holders of Thurston Common Stock is fair to Commencement shareholders from a financial point of view.

5.14 Commencement Information. The information relating to Commencement that is provided by Commencement or its representatives for inclusion in the Joint Proxy Statement/Offering Memorandum, or in any application, notification or other document filed with any Governmental Entity in connection with the transactions contemplated by this Agreement, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading.

5.15 Labor Matters.

(a) There are no collective bargaining agreements or other labor union contracts, agreements or understandings applicable to any employees of Commencement. There is no labor dispute, strike, work stoppage, lockout or work related disruption, or, to the knowledge of Commencement threat thereof, by or with respect to any employees of Commencement, and there has been no labor dispute, strike, work stoppage or lockout in the previous three years. To the knowledge of Commencement there are no organizational efforts with respect to the formation of a collective bargaining unit presently being made or threatened involving employees of Commencement. Commencement is in substantial compliance with all applicable laws respecting

employment and employment practices, terms and conditions of employment, wages, hours of work, occupational safety and health, disability, non-discrimination in employment and workers' compensation. No Action asserting that Commencement has committed an unlawful employment practice or an unfair labor practice (within the meaning of the National Labor Relations Act of 1935) or seeking to compel Commencement to bargain with any labor organization as to wages or conditions of employment is pending or, to the knowledge of Commencement threatened with respect to Commencement before the National Labor Relations Board, the Equal Employment Opportunity Commission, the Department of Labor or any other Governmental Entity.

(b) Commencement is not a party to, or otherwise bound by, any consent decree with, or citation by, any Governmental Entity relating to employees or employment practices. Neither Commencement or any of its or their executive officers has received within the past three years any written notice of intent by any Governmental Entity responsible for the enforcement of labor or employment laws to conduct an investigation relating to Commencement and, to the knowledge of Commencement no such investigation is in progress.

5.16 Environmental Matters. (a) Neither Commencement's conduct nor its operation nor any condition of any property presently or previously owned, leased or operated by any of its (including in a fiduciary or agency capacity), violates or has violated Environmental Laws; (b) there has been no release of any Hazardous Substance by Commencement in any manner that has given or would reasonably be expected to give rise to any remedial obligation, corrective action requirement or liability under applicable Environmental Laws; (c) since December 31, 2008, Commencement has not received any written claims, notices, demand letters or requests for information (except for such claims, notices, demand letters or requests for information the subject matter of which has been resolved prior to the date of this Agreement) from any Governmental Entity or any third party asserting that Commencement or the operation or condition of any property ever owned, leased, operated or held as collateral or in a fiduciary capacity by it is or was in violation of or otherwise is alleged to have liability under any Environmental Law, including responsibility (or potential responsibility) for the cleanup or other remediation of any pollutants, contaminants or hazardous or toxic wastes, substances or materials at, on, beneath or originating from any such property; (d) no Hazardous Substance has been disposed of, arranged to be disposed of, released or transported in violation of any applicable Environmental Law, or in a manner that has given rise to, or that would reasonably be expected to give rise to, any liability under any Environmental Law, from any current or former properties or facilities while owned or operated by Commencement or as a result of any operations or activities of Commencement at any location, and no other condition has existed or event has occurred with respect to Commencement or any such properties or facilities that, with notice or the passage of time, or both, would be reasonably likely to result in liability under Environmental Laws, and, to the knowledge of Commencement Hazardous Substances are not otherwise present at or about any such properties or facilities in amount or condition that has resulted in or would reasonably be expected to result in liability to Commencement under any Environmental Law; and (e) neither Commencement nor any of its Subsidiaries nor any of their respective properties or facilities are subject to, or are, to Commencement's knowledge, threatened to become subject to, any liabilities relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law or any agreement relating to environmental liabilities.

5.17 Loan Matters.

(a) There are no outstanding loans to any directors, executive officers and principal shareholders (as such terms are defined in the FRB's Regulation O (12 C.F.R. Part 215)) of Commencement on which the borrower is paying a rate other than that reflected in the note or other relevant credit or security agreement or on which the borrower is paying a rate which was below market at the time the loan was originated.

(b) Each outstanding loan held by Commencement (including loans held for resale to investors but excluding loans acquired from the FDIC in failed bank transactions) was solicited and originated, and is and has been administered and, where applicable, serviced, and the relevant loan files are being maintained, in all material respects in accordance with the relevant notes or other credit or security documents, Commencement's written underwriting standards (and, in the case of loans held for resale to investors, the underwriting standards, if any, of the applicable investors) and with all applicable laws.

(c) None of the agreements pursuant to which Commencement has sold loans or pools of loans or participations in loans or pools of loans contains any obligation to repurchase such loans or interests therein solely on account of a payment default by the obligor on any such loan.

(d) Each outstanding loan (other than loans acquired from the FDIC in failed bank transactions) (i) is evidenced by notes, agreements or other evidences of indebtedness that are true, genuine and what they purport to be, (ii) to the extent secured, has been secured by valid Liens which have been perfected and (iii) to the knowledge of Commencement is a legal, valid and binding obligation of the obligor named therein, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception).

(e) With respect to the loans held by Commencement, Commencement has provided prior to the date of this Agreement or made available to Thurston in connection with the transactions contemplated hereby the following: (i) all loans (including loan participations) that have been accelerated during the past twelve months; (ii) all loan commitments or lines of credit which have been terminated during the past twelve months by reason of a default or adverse developments in the condition of the borrower or other events or circumstances affecting the credit of the borrower; (iii) all loans, lines of credit and loan commitments as to which it has given written notice of its intent to terminate during the past twelve months; (iv) with respect to any commercial loans (including any commercial real estate loan) with an outstanding balance of one million dollars (\$1,000,000) or more, all notification letters and other written communications from it to any of its borrowers, customers or other parties during the past twelve months wherein it has requested or demanded that actions be taken to correct existing defaults or facts or circumstances which may become defaults; (v) each borrower, customer or other party which has notified it during the past twenty-four months of, or has asserted against it, in each case in writing, any "lender liability" or similar claim, and, to the knowledge of Commencement, each borrower, customer or other party which has given any oral notification of, or orally asserted to or against it, any such claim; (vi) all loans, (A) that are contractually past due 90 days or more in the payment of principal and/or interest, (B) that are on non-accrual status, (C) that as of the date of this Agreement are classified as "Other Loans Specially Mentioned," "Special Mention,"

“Substandard,” “Doubtful,” “Loss,” “Classified,” “Criticized,” “Watch List,” or words of similar import, together with the principal amount of and accrued and unpaid interest on each such loan and the identity of the obligor thereunder, (D) where a reasonable doubt exists as to the timely future collectability of principal and/or interest, whether or not interest is still accruing or the loans are less than 90 days past due, (E) where, during the past twelve months, the interest rate terms have been reduced and/or the maturity dates have been extended subsequent to the agreement under which the loan was originally created due to concerns regarding the borrower’s ability to pay in accordance with such initial terms, or (F) where a specific reserve allocation exists in connection therewith; and (vii) all assets classified by it as real estate acquired through foreclosure or in lieu of foreclosure, including in-substance foreclosures, and all other assets currently held that were acquired through foreclosure or in lieu of foreclosure.

(f) Except as disclosed in Disclosure Schedule 5.17(f), Commencement’s allowance for loan and lease losses is, and shall be as of the Effective Date, in compliance in all material respects with Commencement’s existing methodology for determining the adequacy of its allowance for loan losses as well as the standards established by applicable Governmental Authorities and the Financial Accounting Standards Board and is and shall be adequate under all such standards.

5.18 Intellectual Property. Commencement either owns or licenses all Intellectual Property used by it and necessary for the conduct of its businesses as currently conducted. Commencement is not the licensor of Intellectual Property to any third party. To the knowledge of Commencement none of the Intellectual Property used by Commencement violates or infringes upon the Intellectual Property rights of any other Person. As of the date hereof, there is no Action pending, or to the knowledge of Commencement threatened, which challenges the rights of Commencement with respect to Intellectual Property used in its business or which asserts any violation or infringement of the Intellectual Property rights of any other Person.

5.19 Transactions with Affiliates. There are no agreements, contracts, plans, arrangements or other transactions between Commencement on the one hand, and any (1) officer or director of Commencement, (2) record or beneficial owner of five percent (5%) or more of the voting securities of Commencement (3) affiliate or family member of any such officer, director or record or beneficial owner or (4) any other affiliate of Commencement on the other hand, except those of a type available to non-affiliates of Commencement generally, and compensation and/or benefit arrangements with officers and directors.

5.20 Derivative Instruments and Transactions. Commencement has provided to Thurston a list of all of its Derivative Transactions. All Derivative Transactions, whether entered into for Commencement’s own account or for the account of one or more of its customers, if any, were entered into (a) in the ordinary course of business consistent with past practice and in accordance with prudent business practices and all applicable laws and (b) with counterparties believed to be financially responsible at the time. Each Derivative Transaction constitutes the valid and legally binding obligation of Commencement, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception), and is, as of the date hereof, in full force and effect. Neither Commencement, nor to Commencement’s knowledge, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement.

5.21 Fiduciary Accounts. Commencement has properly administered in all material respects all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws and regulations. Neither Commencement, nor, to the knowledge of Commencement, any of its directors, officers or employees, has committed any breach of trust with respect to any fiduciary account and the records for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

5.22 Taxes.

(a) All income and other material Tax Returns required to have been filed by or with respect to Commencement have been timely filed (taking into account any extension of time to file granted or obtained), and such Tax Returns are accurate and complete in all material respects. All Taxes shown to be payable on such Tax Returns have been paid or will be timely paid and all other material Taxes required to be paid by Commencement have been paid or will be timely paid, except for those Taxes being contested in good faith and for which adequate reserves have been established in financial statements of Commencement. No deficiency for any material amount of Tax has been asserted or assessed by a Governmental Entity in writing against Commencement that has not been satisfied by payment, settled or withdrawn. There are no Liens for Taxes on the assets of Commencement (except for statutory Liens for Taxes not yet delinquent). There are no outstanding waivers or agreements extending the period for assessment of Taxes for any period with respect to any Tax to which Commencement may be subject. All Taxes not yet due and payable by Commencement have been, in all material respects, properly accrued on the financial books and records of Commencement in accordance with GAAP. Commencement is not a party to or bound by or has any obligation under any Tax allocation sharing or similar agreement or arrangement.

(b) Commencement has complied in all material respects with all applicable laws relating to withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 3121 and 3402 of the Code and similar provisions under any other domestic or foreign tax laws) and have, within the time and the manner prescribed by law, paid over to the proper Governmental Entities all amounts required to be so paid over under applicable laws. Commencement has complied in all material respects with all information reporting requirements imposed by the Code (and similar provisions under any other domestic or foreign Tax laws).

(c) As of the date of this Agreement, there are no audits, claims or controversies now pending, or to the knowledge of Commencement threatened in writing against or with respect to Commencement with respect to any material Tax or failure to file any Tax Return.

(d) Commencement is not aware of any agreement, plan, or other circumstance or reason that could reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

(e) To the knowledge of Commencement has not engaged in any "listed transaction" as defined in Section 6707A(c)(2) of the Code and the Treasury Regulations thereunder as a principal, as a material advisor or otherwise.

(f) Commencement has not (A) since December 31, 2008, been a member of an affiliated group (other than a group the common parent of which is Commencement) filing a consolidated, joint, combined or unitary Tax Return or (B) has any liability for Taxes of any Person (other than Commencement) arising from the application of Treasury Regulations Section 1.1502-6 or any analogous provision of state, local or foreign law, or as a transferee or successor, by contract, or otherwise.

(g) Commencement has not been a party to any distribution occurring in the last five years in which the parties to such distribution treated the distribution as one to which Section 355 of the Code applied.

(h) No closing agreement pursuant to Section 7121 of the Code (or any similar provision of state, local or foreign law) has been entered into by or with respect to Commencement.

5.23 Community Reinvestment Act Compliance. Commencement is in compliance in all material respects with the applicable provisions of the Community Reinvestment Act of 1977 and the regulations promulgated thereunder and has received a Community Reinvestment Act rating of "satisfactory" or better in its most recently completed exam, and Commencement has no knowledge of the existence of any fact or circumstance or set of facts or circumstances which could reasonably be expected to result in having its current rating lowered.

5.24 Insurance. Commencement is presently insured for reasonable amounts (and in accordance with all contractual and legal requirements) with financially sound and reputable insurance companies against such risks as companies engaged in a similar business would, in accordance with good business practice, customarily be insured. All of the policies, bonds and other arrangements providing for the foregoing (the "Commencement Insurance Policies") are in full force and effect, the premiums due and payable thereon have been or will be timely paid through the Effective Time, and there is no material breach or default (and no condition exists or event has occurred that, with the giving of notice or lapse of time or both, would constitute such a material breach or default) by Commencement under any of the Commencement Insurance Policies. Commencement has not received any written notice of cancellation or non-renewal of any Commencement Insurance Policy nor, to the knowledge of Commencement, is the termination of any such policies threatened by the insurer, and there is no material claim for coverage by Commencement pending under any of such Commencement Insurance Policies as to which coverage has been denied or disputed by the underwriters of such Commencement Insurance Policies or in respect of which such underwriters have reserved their rights.

5.25 Title. Commencement has good and marketable title in fee simple to all real property owned by it and good and valid title to all material personal property owned by it, in each case free and clear of all Liens, except for Liens reflected in Commencement financial statements and those which do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by Commencement. Any real property and facilities held under lease by Commencement are valid, subsisting and enforceable leases with such exceptions that are not material and do not interfere with the use made and proposed to be made of such property and facilities by Commencement. None of such real property or facilities leases will be adversely affected by the consummation of the Merger.

5.26 Investment Portfolio. Except as disclosed in Disclosure Schedule 5.26 and except for pledges to secure public and trust deposits in the ordinary course of business, Liens securing repurchase obligations incurred in the ordinary course of business consistent with past practices, and for FHLB and FRB stock, none of the investment securities reflected in the Commencement Financial Statements and none of the investment securities since acquired by Commencement is subject to any restriction, whether contractual or statutory, which impairs the ability of Commencement to freely dispose of such investment at any time, other than those restrictions imposed on securities held to maturity under GAAP and restrictions imposed after the date of this Agreement in connection with future borrowings permitted under this Agreement.

5.27 Books and Records. The corporate and stock (ownership) record books of Commencement are complete and accurate and reflect all meetings, consents, other actions of the boards of directors and shareholders (owners) of Commencement, and all transactions relating to the capital stock and ownership interests in such entities.

5.28 Indemnification. To the knowledge of Commencement, no action or failure to take action by any present or former director, advisory director, officer, employee or agent of Commencement has occurred which would give rise to a material claim by any such individual for indemnification from Commencement.

5.29 Broker's Fees. Neither Commencement nor any of its officers, directors, employees or agents has utilized any broker, finder or financial advisor or incurred any liability for any broker's fees, commissions or finder's fees in connection with the Merger or any other transactions contemplated by this Agreement, other than to Performance Trust Capital Partners, LLC pursuant to an agreement, a true, complete and correct copy of which has been previously delivered to Thurston.

5.30 Transactions in Securities. Since January 1, 2013,

(a) All offers and sales of Commencement Common Stock by Commencement were at all relevant times exempt from, or complied with, the registration requirements of the Securities Act and state securities laws, or were exempt therefrom, and in which case, were in substantial compliance with the FDIC's securities offerings rules and regulations.

(b) Neither Commencement, nor, to the knowledge of Commencement, (A) any director or executive officer of Commencement, (B) any Person related to any such director or officer by blood, marriage or adoption and residing in the same household and (C) any Person who has been knowingly provided material nonpublic information by any one or more of these Persons, has purchased or sold, or caused to be purchased or sold, any shares of Commencement Common Stock or other securities issued by Commencement (1) during any period when Commencement was in possession of material nonpublic information, or (2) in violation of any applicable provision of federal or state securities laws, rules or regulations.

5.31 Registration Obligation. Commencement is not under any obligation, contingent or otherwise, to register any of its securities under the Securities Act.

5.32 Representations Not Misleading. No representation or warranty by Commencement in this Agreement, or in any document furnished to Thurston under and pursuant

to this Agreement, contains or will contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they were made, not misleading.

5.33 No Additional Representations. Except for the representations made by Commencement in this Article V, neither Commencement nor any other Person makes any express or implied representation or warranty with respect to Commencement or its business, operations assets, liabilities, conditions (financial or otherwise) or prospects, and Commencement hereby disclaims any such other representations or warranties.

## ARTICLE VI COVENANTS RELATING TO CONDUCT OF BUSINESS

6.1 Thurston Conduct of Businesses Prior to the Effective Time. Except as expressly contemplated or permitted by this Agreement or as required by applicable law or a Governmental Entity, or with the prior written consent of Commencement during the period from the date of this Agreement to the Effective Time, Thurston shall (a) conduct its business in the ordinary course consistent with past practice, (b) use commercially reasonable best efforts to maintain and preserve intact its business organization and advantageous business relationships, and (c) take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of Thurston or Commencement to obtain any necessary Regulatory Approvals or to consummate the transactions contemplated hereby.

6.2 Thurston Forbearances. During the period from the date of this Agreement to the Effective Time, except as expressly contemplated or permitted by this Agreement, as Previously Disclosed, or as required by applicable law or a Governmental Entity, Thurston shall not, without the prior written consent of Commencement (which shall not be unreasonably withheld or delayed with respect to subsections (g), (m), (n) and (r)), to:

(a) Capital Stock. Issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of its capital stock.

(b) Other Securities. Issue any other capital securities, including trust preferred or other similar securities, Voting Debt, or other securities, debentures or subordinated notes.

(c) Dividends, Etc. (i) Make, declare, pay or set aside for payment any dividend or distribution on its capital stock or other ownership interests; or (ii) directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock, other ownership interests, or Rights.

(d) Compensation; Employment, Etc. Except as disclosed in Disclosure Schedule 6.2(d), (i) enter into, modify, amend, renew or terminate any employment, consulting, severance, change in control, or similar agreement or arrangement with any director, officer or employee of Thurston, or grant any salary or wage increase or increase any employee benefit (including incentive or bonus payments) other than (A) at will agreements, (B) normal individual increases in salary to rank and file employees, in each case in the ordinary course of business consistent with past practice, (C) severance in accordance with past practice and (D) changes that are required by applicable law; (ii) hire any new officers; (iii) promote any employee to a rank of vice president

or a more senior position; or (iv) pay aggregate expenses of more than Five Thousand Dollars (\$5,000) in the aggregate for employees and directors to attend conventions or similar meetings after the date hereof.

(e) Benefit Plans. Enter into, establish, adopt, amend or terminate, or make any contributions to (except (i) as may be required by applicable law, or (ii) to satisfy contractual obligations and to maintain benefit programs existing as of the date hereof and set forth on Section 4.10 of Thurston's Disclosure Schedule), any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any current or former director, officer or employee of Thurston or take any action to accelerate the vesting or exercisability of stock options, restricted stock or other compensation or benefits payable thereunder.

(f) Dispositions. Sell, transfer, mortgage or encumber any of its assets or properties except in the ordinary course of business consistent with past practice, and in the case of a sale or transfer, at fair value; or sell or transfer any portion of its deposit liabilities.

(g) Leases or Licenses. Enter into, modify, amend or renew any data processing contract, service provider agreement, or any lease, license or maintenance agreement relating to real or personal property or Intellectual Property; or permit to lapse its rights in any material Intellectual Property.

(h) Acquisitions. Acquire (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) all or any portion of, the assets, business or properties of any Person.

(i) Loans, Loan Participations and Servicing Rights. Sell or acquire any loans (excluding originations) or loan participations, except in the ordinary course of business consistent with past practice (but in the case of a sale, after giving Commencement a first right of refusal to acquire such loan or participation); or sell or acquire any servicing rights.

(j) Governing Documents. Amend its organizational documents (or similar governing documents).

(k) Accounting Methods. Implement or adopt any material change in its accounting principles, practices or methods, other than as may be required by GAAP or any Governmental Entity.

(l) Contracts. Except to satisfy Previously Disclosed written commitments outstanding on the date hereof, enter into or terminate any Thurston Material Contract or amend or modify in any material respect or renew any existing Thurston Material Contract.

(m) Claims. Except in the ordinary course of business consistent with past practice and involving an amount not in excess of Twenty-Five Thousand Dollars (\$25,000) (exclusive of any amounts paid directly or reimbursed to Thurston under any insurance policy maintained by Thurston, settle any claim, action or proceeding against it. Notwithstanding the

foregoing, no settlement shall be made if it involves a precedent for other similar claims, which in the aggregate, could reasonably be determined to be material to Thurston, taken as a whole.

(n) Foreclose. Foreclose upon or otherwise take title to or possession or control of any real property without first obtaining a phase one environmental report thereon; provided, however, that Thurston shall not be required to obtain such a report with respect to one-to four-family, non-agricultural residential property of five acres or less to be foreclosed upon unless it has reason to believe that such property contains Hazardous Substances or might be in violation of or require remediation under Environmental Laws.

(o) Deposit Taking and Other Bank Activities. Voluntarily make any material changes in or to its deposit mix; (ii) increase or decrease the rate of interest paid on time deposits or on certificates of deposit, except in a manner and pursuant to policies consistent with past practice and competitive factors in the marketplace; (iii) incur any liability or obligation relating to retail banking and branch merchandising, marketing and advertising activities and initiatives except in the ordinary course of business consistent with past practice; (iv) open any new branch or deposit taking facility; or (v) close or relocate any existing branch or other facility.

(p) Investments. (i) Purchase any equity securities or purchase any debt securities, other than securities (A) rated "AA" or higher by either Standard and Poor's Ratings Services or Moody's Investor Service, (B) with a weighted average life of not more than three (3) years and (C) otherwise in the ordinary course of business consistent with its current investment policy; or (ii) enter into or acquire any derivatives contract or structured note; enter into any new, or modify, amend or extend the terms of any existing contracts relating to the purchase or sale of financial or other futures, or any put or call option relating to cash, securities or commodities or any interest rate swap agreements or other agreements relating to the hedging of interest rate risk.

(q) Capital Expenditures. Purchase any fixed assets (by installment purchase, capital lease, synthetic lease or otherwise) where the amount paid or committed thereof is in excess of Five Thousand Dollars (\$5,000) individually or Fifteen Thousand Dollars (\$15,000) in the aggregate, except for emergency repairs or replacements.

(r) Lending. (i) Make any material changes in its policies concerning loan underwriting or which classes of Persons may approve loans or fail to comply with such policies as Previously Disclosed; or (ii) make any loans or extensions of credit except in the ordinary course of business consistent with past practice, provided any unsecured loan or extension of credit in excess of Two Hundred Thousand Dollars (\$200,000), any secured loan or extension of credit in excess of Seven Hundred Fifty Thousand Dollars (\$750,000) or any new loan to a new borrower in excess of Five Hundred Thousand Dollars (\$500,000), shall require the prior written approval of the President/Chief Executive Officer or the Chief Credit Officer of Commencement or their designee, which approval or rejection shall be given in writing within two (2) business days after the loan package is delivered to such individual.

(s) Transactions with Insiders. Make any loan to or enter into any transaction with any of Thurston's directors or executive officers or any Affiliate thereof except for any renewals of any loan previously made in the ordinary course of business consistent with past practice.

(t) Joint Ventures and Real Estate Development Operations. Engage in any joint venture, partnership or similar activity; make any new or additional investment in any existing joint venture or partnership; or engage in any new real estate development or construction activity.

(u) Adverse Actions. Take any action that is intended or is reasonably likely to result in (i) the Merger failing to qualify as a “reorganization” under Section 368(a) of the Code; (ii) any of Thurston’s representations and warranties set forth in this Agreement being or becoming untrue in any material respect; (iii) any of the conditions set forth in Article VIII not being satisfied except as expressly permitted by this Agreement; or (iv) a violation of any provision of this Agreement.

(v) Risk Management. Except as required by applicable law or regulation, (i) implement or adopt any material change in its interest rate and other risk management policies, procedures or practices; (ii) fail to follow its existing policies or practices with respect to managing its exposure to interest rate and other risk; or (iii) fail to use commercially reasonable means to avoid any material increase in its aggregate exposure to interest rate risk.

(w) Indebtedness and Guaranties. Except as disclosed in Disclosure Schedule 6.2(w), incur any indebtedness for borrowed money, incur, assume or become subject to, whether directly or by way of any guarantee or otherwise, any obligations or liabilities (absolute, accrued, contingent or otherwise) of any other Person, other than the issuance of letters of credit in the ordinary course of business and in accordance with the restrictions set forth in Section 6.2(r).

(x) Charitable Contributions. Except as disclosed in Disclosure Schedule 6.2(x), committed to make any charitable or similar contributions after the date of this Agreement.

(y) New Lines of Business. Develop, market or implement any new line of business.

(z) Tax Matters. Make, change or revoke any tax election, file any amended Tax Return, enter into any Tax closing agreement, or settle or agree to compromise any liability with respect to disputed Taxes.

(aa) Performance of Obligations. Take any action that is likely to materially impair Thurston’s ability to perform any of its obligations under this Agreement.

(bb) Commitments. Agree or commit to do any of the foregoing.

6.3 Commencement Conduct of Business Prior to the Effective Time. Except as expressly contemplated or permitted by this Agreement or as required by applicable law or a Governmental Entity, or with the prior written consent of Thurston, during the period from the date of this Agreement to the Effective Time, Commencement shall, (a) conduct its business in the ordinary course consistent with past practice, (b) use commercially reasonable best efforts to maintain and preserve intact its business organization and advantageous business relationships, and (c) take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of Thurston or Commencement to obtain any necessary Regulatory Approvals or to consummate the transactions contemplated hereby.

6.4 Commencement Forbearances. Except as expressly permitted or contemplated by this Agreement, or as required by applicable law or a Governmental Entity, or with the prior written consent of Thurston during the period from the date of this Agreement to the Effective Time, Commencement shall not:

(a) Capital Stock. Issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of its capital stock.

(b) Other Securities. Issue any other capital securities, including trust preferred or other similar securities, Voting Debt, or other securities, debentures or subordinated notes.

(c) Dividends, Etc. (i) Make, declare, pay or set aside for payment any dividend or distribution on its capital stock or other ownership interests; or (ii) directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock, other ownership interests, or Rights.

(d) Benefit Plans. Enter into, establish, adopt, amend or terminate, or make any contributions to (except (i) as may be required by applicable law, or (ii) to satisfy contractual obligations and to maintain benefit programs existing as of the date hereof and set forth on Section 5.10 of Commencement's Disclosure Schedule), any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any current or former director, officer or employee of Commencement or take any action to accelerate the vesting or exercisability of stock options, restricted stock or other compensation or benefits payable thereunder.

(e) Dispositions. Sell, transfer, mortgage or encumber any of its assets or properties except in the ordinary course of business consistent with past practice, and in the case of a sale or transfer, at fair value; or sell or transfer any portion of its deposit liabilities.

(f) Accounting Methods. Implement or adopt any material change in its accounting principles, practices or methods, other than as may be required by GAAP or any Governmental Entity.

(g) Adverse Actions. Take any action that is intended or is reasonably likely to result in (i) the Merger failing to qualify as a "reorganization" under Section 368(a) of the Code; (ii) any of Thurston's representations and warranties set forth in this Agreement being or becoming untrue in any material respect; (iii) any of the conditions set forth in Article VII not being satisfied except as expressly permitted by this Agreement; or (iv) a violation of any provision of this Agreement.

(h) Risk Management. Except as required by applicable law or regulation, (i) implement or adopt any material change in its interest rate and other risk management policies, procedures or practices; (ii) fail to follow its existing policies or practices with respect to managing its exposure to interest rate and other risk; or (iii) fail to use commercially reasonable means to avoid any material increase in its aggregate exposure to interest rate risk.

(i) Governing Documents. Amend the Commencement Charter or Commencement Bylaws or similar governing documents in a manner that would adversely affect Thurston.

(j) Performance Obligations. Take any action that is likely to materially impair Commencement's ability to perform any of its obligations under this Agreement.

(k) Deposit Taking and Other Bank Activities. Voluntarily make any material changes in or to its deposit mix; (ii) increase or decrease the rate of interest paid on time deposits or on certificates of deposit, except in a manner and pursuant to policies consistent with past practice and competitive factors in the marketplace; (iii) incur any liability or obligation relating to retail banking and branch merchandising, marketing and advertising activities and initiatives except in the ordinary course of business consistent with past practice; (iv) open any new branch or deposit taking facility; or (v) close or relocate any existing branch or other facility.

(l) Investments. (i) Purchase any equity securities or purchase any debt securities, other than securities (A) rated "AA" or higher by either Standard and Poor's Ratings Services or Moody's Investor Service, (B) with a weighted average life of not more than three (3) years and (C) otherwise in the ordinary course of business consistent with its current investment policy; or (ii) enter into or acquire any derivatives contract or structured note; enter into any new, or modify, amend or extend the terms of any existing contracts relating to the purchase or sale of financial or other futures, or any put or call option relating to cash, securities or commodities or any interest rate swap agreements or other agreements relating to the hedging of interest rate risk.

(m) Transactions with Insiders. Make any loan to or enter into any transaction with any of Commencement's directors or executive officers or any Affiliate thereof except for any loan made in the ordinary course of business consistent with past practice.

(n) Joint Ventures and Real Estate Development Operations. Engage in any joint venture, partnership or similar activity; make any new or additional investment in any existing joint venture or partnership; or engage in any new real estate development or construction activity.

(o) Commitments. Agree or commit to do any of the foregoing.

## ARTICLE VII COVENANTS

7.1 Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement, each of Thurston and Commencement agrees to use its commercially reasonable efforts in good faith, to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Transaction as promptly as practicable and otherwise to enable consummation of the Transaction, including the satisfaction of the conditions set forth in Article VII hereof, and shall cooperate fully with the other party hereto to that end. In addition, Thurston shall use its commercially reasonable best efforts to terminate all of its 409A plans in accordance with Treasury Regulation Section 1.409A-3(j)(4)(ix)(B) no earlier than thirty days prior to the Closing.

## 7.2 Shareholder Approvals.

### (a) Thurston.

(i) Thurston agrees to take, in accordance with applicable law and the Thurston Articles and the Thurston Bylaws, all action necessary to convene as soon as reasonably practicable, a special meeting of its shareholders to consider and vote upon the approval of this Agreement and any other matters required to be approved by Thurston's shareholders for consummation of the Transaction (including any adjournment or postponement, the "Thurston Meeting"). Except with the prior consent of Commencement, no other matters shall be submitted for the approval of the Thurston shareholders at the Thurston Meeting. Subject to Section 7.2(a)(ii), the Thurston Board shall at all times prior to and during such meeting recommend such approval and shall take all reasonable lawful action to solicit such approval by its shareholders and shall not (x) withdraw, modify or qualify in any manner adverse to Commencement such recommendation or (y) take any other action or make any other public statement in connection with the Thurston Meeting inconsistent with such recommendation (collectively, a "Change in Recommendation"), except as and to the extent permitted by Section 7.2(a)(ii).

(ii) Notwithstanding the foregoing, Thurston and the Thurston Board shall be permitted to effect a Change in Recommendation or terminate this Agreement pursuant to Section 9.1(h) if and only to the extent that:

(1) Thurston shall have complied in all material respects with Section 7.7;

(2) the Thurston Board, based on advice of its outside counsel, shall have determined in good faith that failure to do so would more likely than not result in a violation of its fiduciary duties under applicable law; and

(3) if the Thurston Board intends to effect a Change in Recommendation following an Acquisition Proposal, (A) the Thurston Board shall have concluded in good faith, after giving effect to all of the adjustments which may be offered by Commencement pursuant to clause (C) below, that such Acquisition Proposal constitutes a Superior Proposal, (B) Thurston shall notify Commencement, at least five Business Days in advance, of its intention to effect a Change in Recommendation in response to such Superior Proposal (including the identity of the party making such Acquisition Proposal) and furnish to Commencement a copy of the relevant proposed transaction agreements with the party making such Superior Proposal and all other material documents, and (C) prior to effecting such a Change in Recommendation, Thurston shall, and shall cause its financial and legal advisors to, during the period following Thurston's delivery of the notice referred to in clause (B) above, negotiate with Commencement in good faith for a period of up to five Business Days (to the extent Commencement desires to negotiate) to make such adjustments in the terms and conditions of this Agreement so that such Acquisition Proposal ceases to constitute a Superior Proposal.

(b) Commencement. Commencement agrees to take, in accordance with applicable law and the Commencement Articles and the Commencement Bylaws, all action necessary to convene a special meeting of its shareholders to consider and vote upon the approval

of this Agreement and any other matters required to be approved by Commencement's shareholders for consummation of the Transaction (including any adjournment or postponement, the "Commencement Meeting"). Commencement's board of directors and officers shall, at all times prior to and during such meeting recommend such approval and take all reasonable lawful action to solicit such approval by its shareholders and shall not (x) withdraw, modify or qualify in any manner adverse to Thurston such recommendation or (y) take any other action or make any other public statement in connection with the Commencement Meeting inconsistent with such recommendation.

### 7.3 Joint Proxy Statement/Offering Memorandum.

(a) A Joint Proxy Statement/Offering Memorandum (together with any amendments or supplements, the "Joint Proxy Statement/Offering Memorandum") will be prepared by Commencement under the DFI's and FDIC's applicable securities laws and exemptions therefrom and regulations for the shares of Commencement's Common Stock to be issued in the Merger, to be mailed together with any amendments and supplements to Thurston's and Commencement's shareholders.

(b) The parties will cooperate with each other in preparing the Joint Proxy Statement/Offering Memorandum, and will use their commercially reasonable efforts to obtain any clearance any other required regulatory approvals, to issue the Joint Proxy Statement/Offering Memorandum.

(c) Nothing will be included in the Joint Proxy Statement/Offering Memorandum or any proxy solicitation materials with respect to any party to this Agreement unless approved by that party, which approval will not be unreasonably withheld. All information set forth in the Joint Proxy Statement/Offering Memorandum that is or to be furnished by or on behalf of Commencement relating to Commencement and by or on behalf of Thurston relating to Thurston, (1) will comply in all material respects with the provisions of applicable laws and regulations and any other applicable statutory or regulatory requirements, and (2) at the time of the meetings of shareholders of Commencement and Thurston, respectively, will not contain any untrue statement of a material fact or omit to state a material fact that is required to be stated or necessary to make the statements in the Joint Proxy Statement/Offering Memorandum not misleading; provided, however, that in no event will any party be liable for any untrue statement of a material fact or omission to state a material fact in the Joint Proxy Statement/Offering Memorandum where such statement or omission, as the case may be, was made in reliance upon, and in conformity with, written information concerning another party furnished by or on behalf of such other party specifically for use in the Joint Proxy Statement/Offering Memorandum.

(d) Commencement will pay all fees and costs associated with the preparation by Commencement's counsel (and other professional advisors) of the Joint Proxy Statement/Offering Memorandum. Thurston will pay all costs associated with the review and preparation by Thurston's counsel of the Joint Proxy Statement/Offering Memorandum. Thurston and Commencement will each pay the respective costs associated with the printing and mailing of the Joint Proxy Statement/Offering Memorandum to their respective shareholders and any other direct costs incurred by either of them in connection with the Joint Proxy Statement/Offering Memorandum.

#### 7.4 Regulatory Filings.

(a) Each of Commencement and Thurston shall cooperate and use their respective commercially reasonable efforts to prepare all documentation, to effect all filings and to obtain all permits, consents, approvals and authorizations of all third parties and Governmental Authorities that are necessary to consummate the Transaction; and Commencement shall use its commercially reasonable efforts to make any initial application filings with Governmental Authorities to effect the Transaction within ten (10) days of the date of this Agreement or as promptly as reasonably practicable thereafter. Each of Commencement and Thurston shall have the right to review in advance, and to the extent practicable each shall consult with the other, in each case subject to applicable laws relating to the exchange of information, with respect to all written information submitted to any third party or any Governmental Authority in connection with the Transaction, provided that neither Commencement nor Thurston shall be required to provide the other Party with confidential portions of any filing with a Governmental Authority. In exercising the foregoing right, each of such parties agrees to act reasonably and as promptly as practicable. Each party hereto agrees that it shall consult with the other parties hereto with respect to the obtaining of all permits, consents, approvals, waivers and authorizations of all third parties and Governmental Authorities necessary or advisable to consummate the Transaction, and each party shall keep the other parties apprised of the status of material matters relating to completion of the Transaction. Each party hereto further agrees to provide the other parties with a copy of all correspondence to or from any Governmental Authority in connection with the Transaction, provided that neither of the Parties shall be required to provide the other Party with confidential portions of any filing with a Governmental Authority.

(b) Each party agrees, upon request, to furnish the other parties with all information concerning itself, its respective directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application made by or on behalf of such other parties or to any third party or Governmental Authority.

7.5 Press Releases. Thurston and Commencement shall issue a joint press release, mutually satisfactory to the Parties, announcing the execution of this Agreement. With respect to any other press releases, the Parties shall consult with each other before issuing any press release with respect to this transaction or this Agreement and shall not issue any such press release or make any such public statements without the prior consent of the other Party, which shall not be unreasonably withheld; provided, however, that either Commencement or Thurston may, without the prior consent of the other Party (but after such consultation, to the extent practicable under the circumstances), issue such press release or make such public statements as may upon the advice of outside counsel be required by law. Thurston and Commencement shall cooperate to develop all public announcement materials and make appropriate management available at presentations related to the transaction as reasonably requested by the other Party.

#### 7.6 Access; Information.

(a) Each party hereto agrees that upon reasonable notice and subject to applicable laws relating to the exchange of information, it shall afford the other party's officers, employees, counsel, accountants and other authorized representatives such access during normal business

hours throughout the period prior to the Effective Time to the books, records (including, without limitation, Tax Returns and work papers of independent auditors), systems, properties, personnel and advisors of the other party and to such other information relating to the other party as the other party may reasonably request and, during such period, it shall furnish promptly to the other party (i) a copy of each report, schedule and other document filed or received during such period pursuant to the requirements of federal or state banking, lending, consumer finance or privacy laws and (ii) all other information concerning the business, properties and personnel of the other party may reasonably request.

(b) During the period from the date of this Agreement to the Effective Time (or the earlier termination of this Agreement in accordance with its terms), Thurston shall, upon the request of Commencement, and Commencement shall, upon the request of Thurston, cause one or more of its respective designated representatives to confer on a monthly or more frequent basis with representatives of Commencement or Thurston, as the case may be, regarding its financial condition, operations and business and matters relating to the completion of the Transaction. As soon as reasonably available, but in no event more than 15 days after the end of each calendar quarter ending after the date of this Agreement (other than the last quarter of each fiscal year ending December 31), each party will deliver to the other party its statement of financial condition and statements of income, changes in shareholders' equity and cash flows, without related notes, for such quarter prepared in accordance with GAAP, subject to normal year-end adjustments and, as soon as reasonably available, but in no event more than 30 days after the end of each fiscal year, each party will deliver to the other party its statement of financial condition and statements of income, shareholders' equity and cash flows for such year prepared in accordance with GAAP, subject to normal year-end adjustments. Within seven (7) days after the end of each month, each party will deliver to the other party a statement of financial condition and statement of income, without related notes, for such month prepared in accordance with GAAP.

(c) All information furnished pursuant to this Section 7.6 shall be subject to the provisions of the Confidentiality Agreement, dated as of April 1, 2016 between Commencement and Thurston (the "Confidentiality Agreement").

(d) No investigation by any of the parties or their respective representatives shall affect the representations, warranties, covenants or agreements of the other parties set forth herein.

#### 7.7 Acquisition Proposals.

(a) Thurston agrees that it shall, and shall direct and use its commercially reasonable efforts to cause its affiliates, directors, officers, employees, agents and representatives (including, without limitation, any investment banker, financial advisor, attorney, accountant or other representative retained by it) (all of the foregoing, collectively, "Representatives") to, immediately cease any discussions or negotiations with any other parties that may be ongoing with respect to the possibility or consideration of any Acquisition Proposal (as defined below), and will use its commercially reasonable efforts to enforce any confidentiality or similar agreement relating to any Acquisition Proposal, including by requesting the other party to promptly return or destroy any confidential information previously furnished by or on behalf of Thurston thereunder and by specifically enforcing the terms thereof in a court of competent jurisdiction. From the date of this Agreement through the Effective Time, Thurston shall not, and shall cause its directors, officers

or employees or any Representative retained by it not to, directly or indirectly through another Person, (i) solicit, initiate or encourage (including by way of furnishing information or assistance), or take any other action designed to facilitate or that is likely to result in, any inquiries or the making of any proposal or offer that constitutes, or is reasonably likely to lead to, any Acquisition Proposal, (ii) provide any confidential information or data to any Person relating to any Acquisition Proposal, (iii) participate in any discussions or negotiations regarding any Acquisition Proposal, (iv) waive, terminate, modify or fail to enforce any provision of any contractual "standstill" or similar obligations of any Person other than Commencement or its Affiliates, (v) approve or recommend, propose to approve or recommend, or execute or enter into, any letter of intent, agreement in principle, merger agreement, asset purchase agreement or share exchange agreement, option agreement or other similar agreement related to any Acquisition Proposal or propose to do any of the foregoing, or (vi) make or authorize any statement, recommendation or solicitation in support of any Acquisition Proposal; provided, however, that prior to the date of the Thurston Meeting, if the Thurston Board determines in good faith, after consulting with its outside legal and financial advisors, that the failure to do so would, more likely than not, breach, or would reasonably be expected to result in a breach of, the Thurston Board's fiduciary duties under applicable law, Thurston and its Representatives may, in response to a bona fide, written Acquisition Proposal not solicited in violation of this Section 7.7(a) that the Thurston Board determines in good faith constitutes a Superior Proposal (as defined below), subject to providing to Commencement 48 hours prior written notice of its decision to take such action and identifying the Person making the proposal and all the material terms and conditions of such proposal and compliance with Section 7.7(b), (1) furnish information with respect to itself to any Person making such a Superior Proposal pursuant to a customary confidentiality agreement (as determined by Thurston after consultation with its outside counsel) on terms no more favorable to such Person than the terms contained in the Confidentiality Agreement are to Commencement, and (2) participate in discussions or negotiations regarding such a Superior Proposal. For purposes of this Agreement, the term "Acquisition Proposal" means any inquiry, proposal or offer, filing of any regulatory application or notice (whether in draft or final form) or disclosure of an intention to do any of the foregoing from any Person relating to any (w) direct or indirect acquisition or purchase of a business that constitutes 10% or more of the total revenues, net income, assets or deposits of Thurston, (x) direct or indirect acquisition or purchase of any class of Equity Securities representing 10% or more of the voting power of Thurston, (y) tender offer or exchange offer that if consummated would result in any person beneficially owning 10% or more of any class of Equity Securities of Thurston or (z) merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Thurston, other than the Transaction contemplated by this Agreement. For purposes of this Agreement, the term "Superior Proposal" means any bona fide written proposal made by a third party to acquire, directly or indirectly, including pursuant to a tender offer, asset sale, exchange offer, merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction, for consideration consisting of cash and/or securities, more than 50% of the combined voting power of the shares of Thurston Common Stock then outstanding or all or substantially all of Thurston's consolidated assets, which the Thurston Board determines in good faith, after taking into account all legal, financial, regulatory and other aspects of the proposal and the person making the proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation), and after taking into account the advice of Thurston's financial advisor (which shall be a nationally recognized investment banking firm) and outside counsel, (i) is more favorable from a financial point of view to its

shareholders than the Merger, (ii) is reasonably likely to be consummated on the terms set forth in such proposal, and (iii) for which financing, to the extent required, is then committed or which, in the good faith judgment of the Thurston Board, is reasonably likely to be obtained by such third party.

(b) In addition to the obligations of Thurston set forth in Section 7.7(a), Thurston shall promptly (within 48 hours) advise Commencement orally and in writing of its receipt of any Acquisition Proposal (or any inquiry which could reasonably be expected to lead to an Acquisition Proposal) and keep Commencement informed, on a current basis, of the continuing status thereof, including the terms and conditions thereof and any changes thereto, and shall contemporaneously provide to Commencement all materials provided to or made available to any third party pursuant to this Section 7.7 which were not previously provided to Commencement.

(c) Thurston agrees that any violation of the restrictions set forth in this Section 7.7 by any Representative of Thurston shall be deemed a breach of this Section 7.7 by Thurston.

(d) The parties hereto agree that irreparable damage would occur in the event any of the restrictions set forth in Section 7.7(a) were violated by Thurston or any Representative of Thurston. It is accordingly agreed that Commencement shall be entitled to an injunction or injunctions to prevent breaches of this Section 7.7 and to enforce specifically the terms and provisions thereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which Commencement is entitled at law or in equity. In the event attorneys' fees or other costs are incurred to secure performance of any of the obligations herein provided for, or to establish damages for the breach thereof, or to obtain any other appropriate relief, whether by way of prosecution or defense, Commencement shall be entitled to recover reasonable attorneys' fees and costs incurred therein.

7.8 Certain Policies. Prior to the Effective Date, upon the request of Commencement, Thurston shall, consistent with GAAP and applicable banking laws and regulations, use its commercially reasonable efforts to make such additional accounting entries or adjustments, as Commencement shall direct, in compliance with all applicable laws, in order to implement its plans follow the Closing or to reflect expenses and costs relating to the Merger; provided, however, that no such modifications or changes need be made more than one (1) Business Day prior to the Closing or prior to the satisfaction of the conditions set forth in Section 7.1; and further provided that in any event, no such modification or change made by Thurston pursuant to this Section 7.8 shall (i) require any filing with any Governmental Authority, (ii) violate any applicable law; or (iii) constitute or be deemed to be a breach, violation of or failure to satisfy any representation, warranty, covenant, agreement, condition or other provision of this Agreement or otherwise be considered in determining whether any such breach, violation or failure to satisfy shall have occurred. The recording of any such adjustments shall not be deemed to imply any misstatement of previously furnished financial statements or information, shall not be construed as concurrence of Thurston or its management with any such adjustments and shall be disregarded for purposes of determining the satisfaction of any conditions required to be satisfied by Thurston in order to consummate the transactions contemplated by this Agreement.

## 7.9 Officers' and Directors' Insurance; Indemnification.

(a) For at least six years from and after the Effective Time, Commencement shall maintain officers' and directors' liability insurance covering the Persons who are presently covered by Thurston's current officers' and directors' liability insurance policy that shall indemnify and hold harmless the foregoing Persons and each of their heirs and estates against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of actions or omissions existing or occurring at or prior to the Effective Time, including the transactions contemplated by this Agreement, whether asserted or claimed prior to, at or after the Effective Time, arising in whole or in part out of or pertaining to the fact that he or she was a director, officer, employee, fiduciary or agent of Thurston or is or was serving at the request of Thurston as a director, officer, employee, fiduciary or agent of another corporation, partnership, joint venture, trust or other enterprise, including, without limitation, matters related to the negotiation, execution and performance of this Agreement or consummation of the Merger, on terms which are at least substantially equivalent to the terms of said current policy, provided that it shall not be required to expend in the aggregate during the coverage period more than an amount equal to 150% of the annual premium most recently paid by Thurston (the "Insurance Amount") to maintain or procure insurance coverage pursuant hereto, and further provided that if Commencement is unable to maintain or obtain the insurance called for by this Section 7.9(a), Commencement shall use commercially reasonable best efforts to obtain as much comparable insurance as is available for the Insurance Amount which may be in the form of tail coverage, or may request Thurston to obtain such tail coverage at Thurston's expense prior to the Closing Date; provided, further, that officers and directors of Thurston may be required to make application and provide customary representations and warranties to Commencement's insurance carrier for the purpose of obtaining such insurance.

(b) For a period of six years from and after the Effective Date, Commencement shall maintain and preserve the rights to indemnification of Thurston's officers, employees, directors and agents to the maximum extent permitted by any of the Thurston Charter, Thurston Bylaws, the governing documents of Thurston's applicable law with respect to indemnification for liabilities related to costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of actions or omissions existing or occurring at or prior to the Effective Time, including the Merger, to the extent such rights to indemnification are not in excess of that permitted by applicable state or federal laws or Governmental Entities.

(c) In connection with the indemnification provided pursuant to Section 7.9(b), Commencement (i) will advance expenses, promptly after statements therefor are received, to each such indemnified Person to the fullest extent permitted by law and Governmental Entities (provided the individual to whom expenses are advanced provides an undertaking to repay such advance if it is ultimately determined that such individual is not entitled to indemnification), including the payment of the fees and expenses of one counsel with respect to a matter, and one local counsel in each applicable jurisdiction, if necessary or appropriate, selected by such indemnified Person or multiple indemnified Persons, it being understood that they collectively shall only be entitled to one counsel and one local counsel in each applicable jurisdiction where

necessary or appropriate (unless a conflict shall exist between them in which case they may retain separate counsel), all such counsel shall be reasonably satisfactory to Commencement and (ii) will cooperate in the defense of any such matter.

(d) This Section 7.9 shall survive the Effective Time, is intended to benefit each indemnified Person (each of whom shall be entitled to enforce this Section against Commencement), and shall be binding on all successors and assigns of Commencement.

(e) In the event Commencement or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers all or substantially all of its properties and assets to one or more other Persons, then, and in each such case, proper provision shall be made so that the successors and assigns of Commencement assume the obligations set forth in this Section 7.9.

#### 7.10 Employee Matters.

(a) Following the Effective Time, Commencement shall maintain or cause to be maintained employee benefit plans and compensation opportunities for the benefit of employees (as a group) who are full-time active employees of Thurston on the Closing Date ("Covered Employees") that provide employee benefits and compensation opportunities which, in the aggregate, are substantially comparable (and equivalent) to the employee benefits and compensation opportunities that are made available on a uniform and non-discriminatory basis to similarly situated employees of Commencement, as applicable; provided that (i) in no event shall any Covered Employee be eligible to participate in any closed or frozen plan of Commencement; and (ii) until such time as Commencement shall cause Covered Employees to participate in the benefit plans and compensation opportunities that are made available to similarly situated employees of Commencement, a Covered Employee's continued participation in employee benefit plans and compensation opportunities of Thurston shall be deemed to satisfy the foregoing provisions of this sentence (it being understood that participation in the Commencement Benefit Plans may commence at different times with respect to each Commencement Benefit Plan).

(b) To the extent that a Covered Employee becomes eligible to participate in a Commencement Benefit Plan, Commencement shall cause such Commencement Benefit Plan to (i) recognize full-time years of prior service from the date of most recent hire of such Covered Employee with Thurston for purposes of eligibility, participation, vesting and, except under any plan that determines benefits on an actuarial basis, for benefit accrual; provided that such recognition of service shall not operate to duplicate any benefits of a Covered Employee with respect to the same period of service; and (ii) with respect to any Commencement Benefit Plan that is a health, dental, vision plan or other welfare plan in which any Covered Employee is eligible to participate for the plan year in which such Covered Employee is first eligible to participate, Commencement shall use its commercially reasonable best efforts to (A) cause any pre-existing condition limitations or eligibility waiting periods under such Commencement Benefit Plan to be waived with respect to such Covered, and (B) recognize any health, dental, vision or other welfare expenses incurred by such Covered Employee in the year that includes the Closing Date (or, if later, the year in which such Covered Employee is first eligible to participate) for purposes of any

applicable deductible and annual out-of-pocket expense requirements under any such health, dental, vision or other welfare plan.

(c) Thurston and each of its Chief Executive Officer and Chief Financial Officer have entered into an agreement terminating such individual's Stock Appreciation Rights Agreements with Thurston effective at the Closing Date (each a "Termination Agreement") and providing for the cash payment to such individual immediately prior to the Closing Date of the amounts owing under such Stock Appreciation Rights Agreements in full satisfaction of all obligations of Thurston to such executives thereunder. The severance payment due the Chief Financial Officer shall be paid prior to Closing, and the payment due the Chief Executive Officer under the terms and conditions of his Severance/Change in Control Agreement shall be incorporated in his Employment Agreement with Commencement. Thurston will expense the estimated payment to Haley under the terms of his Severance/Change in Control Agreement, and record it as a liability on Thurston's general ledger.

(d) Prior to the Effective Time, Thurston shall take all actions requested by Commencement that may be necessary or appropriate to (i) cause one or more Thurston Benefits Plans to terminate as of the Effective Time, or as of the date immediately preceding the Effective Time, (ii) cause benefit accruals and entitlements under any Thurston Benefit Plan to cease as of the Effective Time, or as of the date immediately preceding the Effective Time, (iii) cause the continuation on and after the Effective Time of any contract, arrangement or insurance policy relating to any Thurston Benefit Plan for such period as may be requested by Commencement or (iv) facilitate the merger of any Thurston Benefit Plan into any employee benefit plan maintained by Commencement. All resolutions, notices, or other documents issued, adopted or executed in connection with the implementation of this Section 7.10(d) shall be subject to Commencement's reasonable prior review and approval, which shall not be unreasonably withheld.

(e) Commencement will determine, after consulting with James Haley, President and Chief Executive Officer of Thurston, which of the Covered Employees it wishes to retain subsequent to the Closing Date as employees of Commencement. As to the Covered Employees:

(i) Covered Employees that are retained and become employees of Commencement subsequent to the Closing Date Time will be eligible to participate in the benefits as provided in Sections 7.10(a) and 7.10(b).

(ii) Covered Employees that are retained and become employees of Commencement during the transition after the Closing Date through the conversion of Thurston's systems and operations to Commencement's will continue to receive their base salary at the same level received at the Effective Time, and, in addition, shall be eligible for the benefits as provided in Sections 7.10(a) and 7.10(b). Such Covered Employees (other than the Thurston President/Chief Executive Officer and Chief Financial Officer) shall also be paid a severance payment upon termination of their employment by Commencement equal to (a) 20% of their base salary from the Closing Date until their last day of employment, in a lump sum (net of taxes), and (b) one (1) week of severance for each year of service at Thurston with a minimum payment of two (2) weeks up to a maximum payment of six (6) weeks, provided, however, to receive any payment in excess of base salary each such employee shall be required to execute and not revoke a Release.

(iii) Prior to Closing, Covered Employees who will not be retained by Commencement after Closing as employees of Commencement will be paid by Thurston a severance payment of one week of severance for each year of service at Thurston with a minimum payment of two weeks of severance up to a maximum payment of six weeks and will not be eligible to participate in any benefits of Commencement provided, however, to receive any such payment each employee shall be required to execute and not revoke a Release. Part-time Thurston employees that are not retained by Commencement after the Closing Date as employees of Commencement are not entitled to severance.

(iv) No severance payment will be paid to any Thurston Employee who is terminated for cause or receives a severance payment pursuant to any severance agreement in force with Thurston prior to the Effective Date.

(f) Nothing in this Section 7.10 shall be construed to limit the right of Thurston or Commencement to amend or terminate any Thurston Benefit Plan or other employee benefit plan, to the extent such amendment or termination is permitted by the terms of the applicable plan, nor shall anything in this Section 7.10 be construed to require Commencement to retain the employment of any particular Covered Employee for any fixed period of time following the Closing Date.

7.11 Notification of Certain Matters. Each of Thurston and Commencement shall give prompt notice to the other of any fact, event or circumstance known to it that (a) is reasonably likely, individually or taken together with all other facts, events and circumstances known to it, to result in any Material Adverse Effect with respect to it or (b) would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein.

7.12 Estoppel Letters. Thurston shall use its commercially reasonable efforts to obtain and deliver to Commencement at the Closing with respect to the real estate leased by Thurston, an estoppel letter dated as of the Closing in substantially the form of Exhibit C or such other form reasonably acceptable to Commencement from its lessor.

7.13 Antitakeover Statutes. Each of Commencement and Thurston and their respective Boards of Directors shall, if any state antitakeover statute or similar statute becomes applicable to this Agreement and the Transaction, take all action reasonably necessary to ensure that the Transaction may be consummated as promptly as practicable on the terms contemplated hereby and otherwise to minimize the effect of such statute or regulation on this Agreement and the Transaction.

7.14 Consents. Thurston shall use its commercially reasonable efforts to obtain all consents, approvals, waivers, non-objections and to deliver any notices required pursuant to the terms of the Material Contracts identified on Section 7.14 of the Thurston Disclosure Schedule as a result of the Transaction.

7.15 Final Tax Return for Thurston. Each of Commencement and Thurston and their respective boards of directors agree that the Thurston final income tax returns for the period

ending from January 1 of the year in which the Closing occurs through the Effective Date shall be prepared and filed by Commencement's accountants subsequent to the Effective Date.

## ARTICLE VIII CONDITIONS TO CONSUMMATION OF THE MERGER

8.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each of the parties hereto to consummate the Merger is subject to the fulfillment or, to the extent permitted by applicable law, written waiver by the parties hereto prior to the Closing of each of the following conditions:

(a) Regulatory Approvals. All regulatory approvals required to consummate the Merger shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired and no such final regulatory approvals shall contain any materially burdensome conditions, restrictions or requirements which the Commencement Board reasonably determines in good faith would, individually or in the aggregate, impose conditions, restrictions or requirements on Commencement following completion of the Merger to such a degree and to such an extent that Commencement would not have entered into this Agreement had such conditions, restrictions or requirements been known at the date hereof.

(b) No Injunction. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and prohibits consummation of the Merger.

(c) Shareholder Approval. This Agreement shall have been approved by the requisite vote of holders of Commencement Common Stock and Thurston Common Stock.

(d) Tax Opinion. Each of Commencement and Thurston shall have received the written opinion of Keller Rohrback L.L.P., in form and substance reasonably satisfactory to both Thurston and Commencement, dated as of the Effective Date, substantially to the effect that, on the basis of the facts, representations and assumptions set forth in such opinion which are consistent with the state of facts existing at the Effective Time, the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. In rendering any such opinion, such counsel may require and rely upon representations and covenants, including those contained in certificates of officers of Commencement, Thurston and others, reasonably satisfactory in form and substance to such counsel.

(e) OTCQX. The Commencement Common Stock to be issued to the Thurston shareholders as part of the Merger Consideration in the transaction shall have been approved for listing on the OTCQX.

8.2 Conditions to Obligations of Thurston. The obligation of Thurston to consummate the Merger is also subject to the fulfillment or written waiver by Thurston prior to the Closing of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of Commencement set forth in this Agreement shall be true and correct as of the date hereof and as

of the Effective Date as though made on and as of the Effective Date (except that representations and warranties that by their terms speak as of the date hereof or some other date shall be true and correct as of such date), and Thurston shall have received a certificate, dated the Effective Date, signed on behalf of Commencement by the Chief Executive Officer and the Chief Financial Officer of Commencement to such effect.

(b) Performance of Obligations of Commencement. Commencement shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time, and Thurston shall have received a certificate, dated the Effective Date, signed on behalf of Commencement by the Chief Executive Officer and the Chief Financial Officer of Commencement to such effect.

(c) Other Actions. Commencement shall have furnished Thurston with such other documents to evidence fulfillment of the conditions set forth in Sections 8.1 and 8.2 as Thurston may reasonably request.

(d) Directors. The Board of Directors of Commencement shall have, immediately prior to the Closing, reduced the number of directors at Commencement to seven (7) directors and elected the Thurston Designated Directors to the Commencement Board of Directors, all effective as of the Closing Date.

(e) Material Adverse Effect. Since the date hereof, no event shall have occurred or circumstance arisen that, individually or in the aggregate, taken together with all other facts, circumstances or event, has had or is reasonably likely to have a Material Adverse Effect with respect to Commencement.

(f) Employment Agreement. The Employment Agreement for James H. Haley shall be in full force and effect at the Effective Time.

(g) Minimum Tangible Common Equity. As of the Closing Date, Commencement shall have tangible common equity (equal to Commencement's total shareholders' equity minus any intangible assets, in each case calculated in accordance with GAAP and the Commencement Financial Statements, and excluding in such determination any accumulated other comprehensive income (loss) of Commencement (unrealized gain or loss in the Commencement investment portfolio)) shall not be less than Commencement's tangible common equity at June 30, 2016, less \$200,000. Further, for purposes of calculating the tangible common equity herein, any Transaction Expenses incurred by Commencement prior to or as of the Closing Date shall be added back to Commencement's total shareholders' equity on a tax adjusted basis based on Commencement's marginal tax rate. For purposes of this Agreement, "Transaction Expenses" shall mean all expenses, costs and fees to be paid or incurred by Thurston or Commencement, in connection with consummation of the transactions described in this Agreement, including, without limitation, (i) legal, accounting, investment banking, advisory or other professional fees and costs; (ii) costs associated with respect to termination, cancellation or assignment of any Material Contract to which Thurston or Commencement and costs associated with any payments to holders of Thurston Benefit Plan terminations (including, but not limited to, payments by Thurston under the Thurston Stock Appreciation Plan (as hereinafter defined), (iii) Thurston director and officer tail insurance premiums and costs and (iv) in respect of any benefit,

severance, change in control payments or retention payments to employees or directors of Thurston as a result of the transactions contemplated in this Agreement.

8.3 Conditions to Obligations of Commencement. The obligation of Commencement to consummate the Merger is also subject to the fulfillment or written waiver by Commencement prior to the Closing of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of Thurston set forth in this Agreement shall be true and correct as of the date hereof and as of the Effective Date as though made on and as of the Effective Date (except that representations and warranties that by their terms speak as of the date hereof or some other date shall be true and correct as of such date), and Commencement shall have received a certificate, dated the Effective Date, signed on behalf of Thurston by the Chief Executive Officer and the Chief Financial Officer of Thurston to such effect.

(b) Performance of Obligations of Thurston. Thurston shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time, and Commencement shall have received a certificate, dated the Effective Date, signed on behalf of Thurston by the Chief Executive Officer and the Chief Financial Officer of Thurston to such effect.

(c) Dissenting Shares. Dissenting Shares shall not represent 7% or more of the outstanding shares of Thurston Common Stock.

(d) Employment Agreement/Severance Payment. The Employment Agreement for James H. Haley shall be in full force and effect at the Effective Time. Prior to the Closing, Thurston will expense the estimated payment to Haley under the terms of his Severance/Change in Control Agreement, and record it as a liability on Thurston's general ledger to be paid Haley within a time period to be determined by the Board of Directors of Thurston which shall be prior to the Closing, but the payment thereof shall not be longer than twelve (12) months from the date of Closing. Any Severance Payment due the Chief Financial Officer of Thurston shall have been paid prior to Closing.

(e) Stock Appreciation Rights. Prior to Closing, all stock appreciation rights granted or awarded pursuant to the Thurston Stock Appreciation Plan (the "Thurston Stock Appreciation Plan"), or otherwise, which are then exercisable shall be cancelled by Thurston in exchange for a cash payment by Thurston equal to the SAR Value (as defined in the Thurston Stock Appreciation Plan). In exchange for the cash payment, Thurston shall cause each holder of a Thurston stock appreciation right to execute a stock appreciation right cancellation and release agreement in form and substance reasonably acceptable to Commencement (each a "Cancellation Agreement"). Thurston shall cause the Thurston Stock Appreciation Right Plan to be terminated as of the Closing Date.

(f) Minimum Tangible Common Equity. As of the Closing Date, Thurston shall have tangible common equity (equal to Thurston's total shareholders' equity minus any intangible assets, in each case calculated in accordance with GAAP and the Thurston Financial Statements, and excluding in such determination any accumulated other comprehensive income (loss) of Thurston (unrealized gain or loss in the Thurston investment portfolio)) shall not be less than Thurston's tangible common equity at June 30, 2016, less \$200,000. Further, for purposes of

calculating the tangible common equity herein, any Transaction Expenses incurred by Thurston prior to or as of the Closing Date shall be added back to Thurston's total shareholders' equity on a tax adjusted basis based on Thurston's marginal tax rate.

(g) Material Adverse Effect. Since the date hereof, no event shall have occurred or circumstance arisen that, individually or in the aggregate, taken together with all other facts, circumstances or event, has had or is reasonably likely to have a Material Adverse Effect with respect to Thurston.

(h) Other Actions. Thurston shall have furnished Commencement with such other documents to evidence fulfillment of the conditions set forth in Sections 8.1 and 8.3 as Commencement may reasonably request.

(i) Termination of 409A Plans. Thurston shall have terminated all of its 409A plans in accordance with Treasury Regulation Section 1.409A-3(j)(4)(ix)(B) no earlier than thirty days prior to the Closing.

## ARTICLE IX TERMINATION

9.1 Termination. This Agreement may be terminated, and the Transaction may be abandoned, at any time prior to the Effective Time:

(a) Mutual Consent. By the mutual consent in writing of Commencement and Thurston.

(b) Breach. Provided that the terminating party is not then in material breach of any representation, warranty, covenant or agreement contained herein, by Commencement or Thurston, in the event of a breach by the other party or parties of any representation, warranty, covenant or agreement contained herein, which breach (i) cannot be or has not been cured within 30 days after the giving of written notice to the breaching party or parties of such breach and (ii) would entitle the non-breaching party or parties not to consummate the Transaction contemplated hereby under Section 8.2(a) or (b) or 8.3(a) or (b), as the case may be.

(c) Delay. By Commencement or Thurston in the event the Merger is not consummated by January 31, 2017, except to the extent that the failure of the Merger then to be consummated by such date shall be due to the failure of the party seeking to terminate pursuant to this Section 9.1(c) to materially perform or observe the covenants and agreements of such party or parties set forth in this Agreement.

(d) No Regulatory Approval. By Commencement or Thurston in the event the approval of any Governmental Authority required for consummation of the Merger and the other transactions contemplated by this Agreement shall have been denied by final nonappealable action of such Governmental Authority or an application therefor shall have been permanently withdrawn at the request of a Governmental Authority, provided, however, that no party or parties shall have the right to terminate this Agreement pursuant to this Section 9.1(d) if such denial shall be due to the failure of the party or parties seeking to terminate this Agreement to perform or observe the covenants of such party or parties set forth herein.

(e) No Commencement or Thurston Shareholder Approval. By Commencement or Thurston, if the approval of the shareholders of Thurston or Commencement contemplated by this Agreement shall not have been obtained by reason of the failure to obtain the required vote at the Thurston Meeting or Commencement Meeting or at any adjournments or postponements thereof; provided, however, that no party may terminate this Agreement pursuant to this Section 9.1(e) if such party has breached in any material respect any of its obligations under this Agreement, in each case in a manner that reasonably likely caused the failure to obtain the Thurston Shareholder Approval at the Thurston Meeting or any adjournment or postponement thereof or the Commencement shareholder approval at the Commencement Meeting or any adjournment or postponement thereof.

(f) Thurston Failure to Recommend. By Commencement prior to the Thurston shareholder approval having been obtained, if (i) Thurston shall have materially breached the provisions of Section 7.7 in any respect adverse to Commencement, (ii) the Thurston Board shall have failed to make its recommendation referred to in Section 7.2, withdrawn such recommendation or modified or changed such recommendation in a manner adverse in any respect to the interests of Commencement, or (iii) Thurston shall have materially breached its obligations under Section 7.2 by failing to call, give notice of, convene and hold the Thurston Meeting in accordance with Section 7.2.

(g) Certain Tender or Exchange Offer. By Commencement prior to the Thurston shareholder approval having been obtained, if a publicly announced tender offer or exchange offer for 15% or more of the outstanding shares of Thurston Common Stock is commenced (other than by Commencement or a Subsidiary thereof), and the Thurston Board recommends that the shareholders of Thurston tender their shares in such tender or exchange offer or, within 15 business days of such public announcement, otherwise fails to recommend that such shareholders reject such tender offer or exchange offer.

(h) Superior Proposal – Termination by Thurston. By the Thurston Board, upon written notice to Commencement, if the board of directors of Thurston has in good faith determined that an Acquisition Proposal constitutes a Superior Proposal; provided, however, that Thurston will not be permitted to terminate this Agreement pursuant to this Section 9.1(h) unless (i) it has not breached Sections 7.2 and 7.7 of this Agreement, (ii) subsequent to delivering such notice of termination it intends to enter into a letter of intent, acquisition agreement or similar agreement relating to such Superior Proposal, (iii) it has provided Commencement at least five days' prior written notice advising Commencement that the Thurston Board is prepared to accept a Superior Proposal and given Commencement, if it so elects, an opportunity to amend the terms of this Agreement (and negotiated with Commencement in good faith with respect to such terms) in such a manner as would enable the Thurston Board to proceed with the Transaction on such revised terms such that the Acquisition Proposal would no longer constitute a Superior Proposal and (iv) it delivers to Commencement the Break-Up Fee in accordance with Section 9.2(d) herein.

(i) Acquisition Proposal. By either party, upon written notice, after an Acquisition Proposal shall have been publicly announced or otherwise publicly communicated (or any person shall have publicly announced, publicly communicated or publicly made known an intention, whether or not conditional, to make an Acquisition Proposal, or publicly reiterated a previously expressed plan or intention to make an Acquisition Proposal) at any time after the date

of this Agreement and prior to the taking of the vote of the shareholders of Thurston contemplated by this Agreement at the Thurston Meeting.

(j) Commencement Failure to Recommend. By Thurston prior to the Commencement shareholder approval having been obtained, if (i) the Commencement Board shall have failed to make its recommendation referred to in Section 7.2, withdrawn such recommendation or modified or changed such recommendation in a manner adverse in any respect to the interests of Thurston, or (iii) Commencement shall have materially breached its obligations under Section 7.2 by failing to call, give notice of, convene and hold the Commencement Meeting in accordance with Section 7.2.

## 9.2 Effect of Termination and Abandonment.

(a) In the event of termination of this Agreement and the abandonment of the Merger pursuant to Article VIII, no party to this Agreement shall have any liability or further obligation to any other party hereunder except that (i) Article IX shall survive any termination of this Agreement and (ii) notwithstanding anything to the contrary, neither Commencement nor Thurston shall be relieved or released from any liabilities or damages arising out of its fraud or willful breach of any provision of this Agreement.

(b) Termination Fee Payable By Thurston. Due to expenses, direct and indirect, incurred by Commencement in negotiating and executing this Agreement and in taking steps to effect the Transaction, Thurston will pay to Commencement Three Hundred Thousand Dollars (\$300,000) (the "Termination Fee"), if Commencement terminates this Agreement pursuant to Section 9.1(b). If the Termination Fee becomes payable pursuant to this Section 9.2(b), it will be payable on Commencement's demand and must be paid by Thurston within three business days following the date of Commencement's demand. Nothing herein shall relieve Thurston from any liability or damage arising under Section 9.2(a) with respect to fraud or willful breach of this Agreement.

(c) Termination Fee Payable By Commencement. Due to expenses, direct and indirect, incurred by Thurston in negotiating and executing this Agreement and in taking steps to effect the Transaction, Commencement will pay to Thurston the Termination Fee if Thurston terminates this Agreement pursuant to Section 9.1(b). If the Termination Fee becomes payable pursuant to this Section 9.1(c), it will be payable on Thurston's demand and must be paid by Commencement within three business days following the date of Thurston's demand. Nothing herein shall relieve Commencement from any liability or damage arising under Section 9.2(a) with respect to fraud or willful breach of this Agreement.

(d) Break-Up Fee. The parties hereto agree that Thurston shall pay Commencement the sum of Six Hundred Thousand Dollars (\$600,000) (the "Break-Up Fee") (i) if this Agreement is terminated pursuant to, Section 9.1(g) or 9.1(h), on the third Business Day following the termination of this Agreement or (ii) if this Agreement is terminated pursuant to Section 9.1(i) and, within twelve months of such termination, Thurston shall enter into a definitive agreement relating to such Acquisition Proposal, on the date of entry into such definitive agreement. Any amount that becomes payable pursuant to this Section 9.1(d) shall be paid by wire transfer of immediately available funds to an account designated by Commencement.

(e) Integral Agreements. Thurston and Commencement agree that the agreements contained in paragraphs (b), (c), (d) and (e) above are an integral part of the transactions contemplated by this Agreement, that without such agreements Commencement and Thurston would not have entered into this Agreement, and that such amounts constitute liquidated damages and do not constitute a penalty in the event of a breach of this Agreement by Thurston or Commencement, as the case may be, and shall be the sole monetary remedy in the event of termination of this Agreement under such applicable section except as specifically provided in such section. If Thurston fails to pay Commencement the amounts due under paragraphs (b) and (d) above within the time periods specified in such paragraphs or Commencement fails to pay the amounts due under paragraph (c) and (e) above, Thurston and Commencement shall pay the costs and expenses (including reasonable legal fees and expenses) incurred by Commencement or Thurston, as the case may be, in connection with any action, including the filing of any lawsuit, taken to collect payment of such amounts, provided Commencement or Thurston, as the case may be, prevails on the merits, together with interest on the amount of any such unpaid amounts at the prime lending rate prevailing during such period as published in The Wall Street Journal, calculated on a daily basis from the date such amounts were required to be paid until the date of actual payment.

## ARTICLE X GENERAL PROVISIONS

10.1 Disclosure Schedule. Before entry into this Agreement, each party delivered to the other a schedule (each a "Disclosure Schedule") that sets forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties of the disclosing party contained in Article IV or Article V, as applicable, and, in the case of Thurston to one or more of its covenants contained herein; provided, however, that notwithstanding anything in this Agreement to the contrary, (a) no such item is required to be set forth as an exception to a representation or warranty if its absence would not result in the related representation or warranty being deemed untrue or incorrect and (b) the mere inclusion of an item as an exception to a representation or warranty shall not be deemed an admission that such item represents a material exception or material fact, event or circumstance. For purposes of this Agreement, "Previously Disclosed" means information set forth by a party in the applicable paragraph of its Disclosure Schedule, or any other paragraph of its Disclosure Schedule (so long as it is reasonably clear from the context that the disclosure in such other paragraph of its Disclosure Schedule is also applicable to the section of this Agreement in question).

10.2 Amendment. This Agreement may be amended by the Parties by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Merger by the shareholders of Thurston; provided, however, that after any approval of the transactions contemplated by this Agreement by the shareholders of Thurston and Commencement, there may not be, without further approval of such shareholders, any amendment of this Agreement that requires further shareholder approval under applicable law. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the Parties.

10.3 Extension; Waiver. At any time prior to the Effective Time, the Parties, by action taken or authorized by their respective Board of Directors, may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or (c) waive compliance with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

10.4 Nonsurvival of Representations, Warranties and Agreements. None of the representations, warranties, covenants and agreements set forth in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time, except for Section 7.9 and for those other covenants and agreements contained in this Agreement that by their terms apply or are to be performed in whole or in part after the Effective Time.

10.5 Notices. All notices and other communications in connection with this Agreement shall be in writing and shall be deemed given if delivered personally, sent via facsimile (with confirmation), mailed by registered or certified mail (return receipt requested) or delivered by an express courier (with confirmation) to the Parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Commencement to:

Commencement Bank  
1102 Commerce Street  
Tacoma, Washington 98402  
Attention: H. R. Russell, President and Chief Executive Officer  
Facsimile: (253) 284-1850

with a copy to:

Keller Rohrback L.L.P.  
1201 Third Avenue, Suite 3200  
Seattle, Washington 98101-3052  
Attention: Glen P. Garrison  
Facsimile: (206) 623-3384

(b) if to Thurston, to:

Thurston First Bank  
600 Franklin Street SE, Suite 102  
Olympia, Washington 98501  
Attention: James H. Haley, President & CEO  
With a copy to: Stephen J. Bean, Chairman, Board of Directors  
Facsimile: (360) 528-2154

with a copy to:

Stinson Leonard Street  
6400 South Fiddlers Green Circle, Suite 1900  
Greenwood Village, Colorado 80111  
Attention: Ernest J. Panasci  
Facsimile: (303) 578-7976  
Email: ernie.panasci@stinson.com

10.6 Interpretation. When a reference is made in this Agreement to Articles, Sections, Exhibits or Schedules, such reference shall be to an Article or Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All schedules and exhibits hereto shall be deemed part of this Agreement and included in any reference to this Agreement. If any term, provision, covenant or restriction contained in this Agreement is held by a court or a federal or state regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions and covenants and restrictions contained in this Agreement shall remain in full force and effect, and shall in no way be affected, impaired or invalidated. If for any reason such court or regulatory agency determines that any provision, covenant or restriction is invalid, void or unenforceable, it is the express intention of the Parties that such provision, covenant or restriction be enforced to the maximum extent permitted.

10.7 Counterparts. This Agreement may be executed in two or more counterparts (including by facsimile or other electronic means), all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to the other party, it being understood that each party need not sign the same counterpart.

10.8 Entire Agreement. This Agreement (including the documents and the instruments referred to in this Agreement), together with the Confidentiality Agreement, constitutes the entire agreement and supersedes all prior written, and prior or contemporaneous oral, agreements and understandings, between the Parties with respect to the subject matter of this Agreement, other than the Confidentiality Agreement.

10.9 Governing Law; Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of the State of Washington applicable to contracts made and performed entirely within such state, without regard to any applicable conflicts of law principles or any other principle that could require the application of the law of any other jurisdiction. The Parties hereto agree that any suit, action or proceeding brought by either party to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any federal or state court located in the State of Washington. Each of the Parties hereto submits to the jurisdiction of any such court in any suit,

action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, this Agreement or the transactions contemplated hereby and hereby irrevocably waives the benefit of jurisdiction derived from present or future domicile or otherwise in such action or proceeding. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

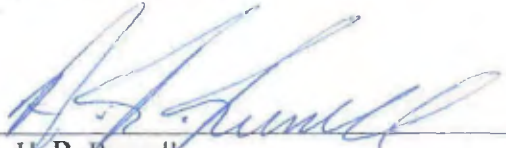
10.10 Assignment; Third Party Beneficiaries. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned by either of the Parties (whether by operation of law or otherwise) without the prior written consent of the other party (which shall not be unreasonably withheld or delayed). Any purported assignment in contravention hereof shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by each of the Parties and their respective successors and assigns. Except for Section 7.9, which is intended to benefit each indemnified Person referenced therein, or as otherwise specifically provided herein, this Agreement (including the documents and instruments referred to in this Agreement) is not intended to and does not confer upon any Person other than the Parties hereto any rights or remedies under this Agreement.

10.11 Specific Performance; Time of the Essence. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms. It is accordingly agreed that the Parties shall be entitled specific performance of the terms hereof, without the necessity of demonstrating irreparable harm or posting of any bond or security, in addition to any other remedies to which they are entitled at law or equity. Time is of the essence for performance of the agreements, covenants and obligations of the Parties herein.

10.12 Waiver of Jury Trial. Each party hereto acknowledges and agrees that any controversy that may arise under this Agreement, and in respect of the transactions contemplated hereby, is likely to involve complicated and difficult issues, and therefore each party hereby irrevocably and unconditionally waives any right such party may have to trial by jury in respect of any legal action, directly or indirectly, arising out of, or relating to, this Agreement, or the transactions contemplated hereby. Each party certifies and acknowledges that (a) no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, (b) each party understands and has considered the implications of this waiver, (c) each party makes this waiver voluntarily, and (d) each party has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 10.12.

Commencement and Thurston have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

**COMMENCEMENT BANK**

By:   
Name: H. R. Russell  
Title: President and Chief Executive Officer

By:   
Name: Thomas A. Valentine  
Title: Chairman of the Board of Directors

**THURSTON FIRST BANK**

By: \_\_\_\_\_  
Name: James H. Haley  
Title: President and Chief Executive Officer

By: \_\_\_\_\_  
Name: Stephen J. Bean  
Title: Chairman of the Board of Directors

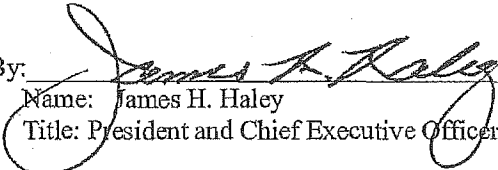
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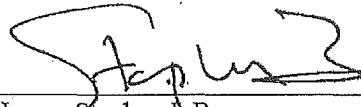
**COMMENCEMENT BANK**

By: \_\_\_\_\_  
Name: H. R. Russell  
Title: President and Chief Executive Officer

By: \_\_\_\_\_  
Name: Thomas A. Valentine  
Title: Chairman of the Board of Directors

**THURSTON FIRST BANK**

By:  \_\_\_\_\_  
Name: James H. Haley  
Title: President and Chief Executive Officer

By:  \_\_\_\_\_  
Name: Stephen J. Bean  
Title: Chairman of the Board of Directors

## APPENDIX B

### WASHINGTON COMMERCIAL BANK ACT CHAPTER 30A.49.090 – DISSENTERS' RIGHTS

The owner of shares of a state bank which were voted against a merger to result in a state bank, or against the conversion of a state bank into a national bank, shall be entitled to receive their value in cash, if and when the merger or conversion becomes effective, upon written demand made to the resulting state or national bank at any time within thirty days after the effective date of the merger or conversion, accompanied by the surrender of the stock certificates. The value of such shares shall be determined, as of the date of the shareholders' meeting approving the merger or conversion, by three appraisers, one to be selected by the owners of two-thirds of the dissenting shares, one by the board of directors of the resulting state or national bank, and the third by the two so chosen. The valuation agreed upon by any two appraisers shall govern. If the appraisal is not completed within ninety days after the merger or conversion becomes effective, the director shall cause an appraisal to be made.

The dissenting shareholders shall bear, on a pro rata basis based on the number of dissenting shares owned, the cost of their appraisal and one-half of the cost of a third appraisal, and the resulting bank shall bear the cost of its appraisal and one-half of the cost of the third appraisal. If the director causes an appraisal to be made, the cost of that appraisal shall be borne equally by the dissenting shareholders and the resulting bank, with the dissenting shareholders sharing their half of the cost on a pro rata basis based on the number of dissenting shares owned.

The resulting state or national bank may fix an amount which it considers to be not more than the fair market value of the shares of a merging or the converting bank at the time of the stockholders' meeting approving the merger or conversion, which it will pay dissenting shareholders of the bank entitled to payment in cash. The amount due under such accepted offer or under the appraisal shall constitute a debt of the resulting state or national bank.



July 7, 2016

Board of Directors  
Thurston First Bank  
600 Franklin Street, SE  
Suite 102  
Olympia, WA 98501

Members of the Board:

We understand that Thurston First Bank (“Thurston First”) proposes to enter into an Agreement and Plan of Merger (the “Agreement”) with Commencement Bank (“Commencement”), pursuant to which, among other things, Commencement will acquire all of the issued and outstanding common stock of Thurston First, with Thurston First Bank merging with and into Commencement Bank (the “Merger”). As set forth in the Agreement, Commencement will issue 0.9024 shares of Commencement common stock for each share of Thurston First share outstanding (the “Merger Consideration”). You have advised us that the Merger will qualify as a tax-free reorganization for U.S. federal income tax purposes. The terms and conditions of the Merger are more fully set forth in the Agreement.

Capitalized terms used herein without definition have the respective meanings ascribed to them in the Agreement.

You have requested our opinion as to the fairness, from a financial point of view, to the holders of Thurston First Common Stock, of the Merger Consideration to be paid to each such holder in the proposed Merger.

In connection with preparing our opinion, we have reviewed, among other things:

- (i) drafts of the Agreement (including disclosure schedules) and Voting Agreement as of July 5, 2016;
- (ii) certain financial statements and other historical financial and business information about Thurston First and Commencement made available to us from published sources and/or from the internal records of Thurston First and Commencement;
- (iii) the current market environment generally and the banking environment in particular;
- (iv) the current and historical market prices and trading activity of the Thurston First common stock with that of certain other publicly-traded companies that we deemed relevant;
- (v) the current and historical market prices and trading activity of the Commencement common stock with that of certain other publicly-traded companies that we deemed relevant;
- (vi) the net present value of Thurston First with consideration of projected financial results through 2021 (based on 2016 Thurston First budget and estimated growth rates in years thereafter, as discussed and confirmed by senior management of Thurston First);

- (vii) the financial terms of certain other similar merger-of-equal transactions in the financial institutions industry, to the extent publicly available;
- (viii) the relative contributions of Thurston First and Commencement to the combined company;
- (ix) the market and trading characteristics of public companies and public bank holding companies;
- (x) the pro forma financial impact of the Merger, taking into consideration the amounts and timing of the transaction costs and cost savings;
- (xi) the net present value of Thurston First and Commencement, on a pro forma basis with the pro forma financial impact of the Merger, with consideration of the projected financial results; and
- (xii) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant, including discussions with management and other representatives and advisors of Thurston First concerning the business, financial condition, results of operations and prospects of Thurston First.

In arriving at our opinion, we have, with your consent, assumed and relied upon the accuracy and completeness of all information that was publicly available or supplied or otherwise made available to, discussed with or reviewed by or for us. We have not independently verified (nor have we assumed responsibility for independently verifying) such information or its accuracy or completeness. We have not undertaken or been provided with any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Thurston First, and we did not make an independent appraisal or analysis of Thurston First with respect to the Merger. In addition, we have not assumed any obligation to conduct, nor have we conducted, any physical inspection of the properties or facilities of Thurston First, and have not been provided with any reports of such physical inspections. We have assumed that there has been no material change in Thurston First's business, assets, financial condition, results of operations, cash flows or prospects since the date of the most recent financial statements provided to us, and that neither Thurston First nor Commencement is party to any material pending transaction, including without limitation any financing, recapitalization, acquisition or merger, divestiture or spin-off, other than the Merger.

With respect to the financial forecasts and other analyses provided to or otherwise reviewed by or for or discussed with us, we have been advised by management of Thurston First, and have assumed with your consent, that such forecasts and other analyses were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of management of Thurston First as to the future financial performance of Thurston First and the other matters covered thereby, and that the financial results reflected in such forecasts and analyses will be realized in the amounts and at the times projected. We assume no responsibility for and express no opinion as to these forecasts and analyses or the assumptions on which they were based. We have relied on the assurances of management of Thurston First that they are not aware of any facts or circumstances that would make any of such information, forecasts or analyses inaccurate or misleading.

We are not experts in the evaluation of loan and lease portfolios, classified loans or other real estate owned or in assessing the adequacy of the allowance for loan losses with respect thereto, and we did not make an independent evaluation or appraisal thereof, or of any other specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Thurston First or Commencement or any of their respective subsidiaries. We have not reviewed any individual loan or credit files relating to Thurston First or Commencement. We have assumed, with your consent, that the respective allowances for loan and lease losses for both Thurston First and Commencement are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. We did not make an independent evaluation of the quality of Thurston First's or Commencement's deposit base, nor have we independently evaluated potential deposit

concentrations or the deposit composition of Thurston First or Commencement. We did not make an independent evaluation of the quality of Thurston First's or Commencement's investment securities portfolio, nor have we independently evaluated potential concentrations in the investment securities portfolio of Thurston First or Commencement.

We have assumed that all of the representations and warranties contained in the Agreement and all related agreements are true and correct in all respects material to our analysis, and that the Merger will be consummated in accordance with the terms of the Agreement, without waiver, modification or amendment of any term, condition or covenant thereof the effect of which would be in any respect material to our analysis. We also have assumed that all material governmental, regulatory or other consents, approvals, and waivers necessary for the consummation of the Merger will be obtained without any material adverse effect on Thurston First or the contemplated benefits of the Merger. Further, we have assumed that the executed Agreement will not differ in any material respect from the draft Agreement, as of July 5, 2016, reviewed by us.

We have assumed in all respects material to our analysis that Thurston First will remain as a going concern for all periods relevant to our analysis. We express no opinion regarding the liquidation value of Thurston First or any other entity.

Our opinion is limited to the fairness, from a financial point of view, of the Merger Consideration to be paid to the holders of Thurston First Common Stock in the proposed Merger. We do not express any view on, and our opinion does not address, any other term or aspect of the Agreement or Merger (including, without limitation, the form or structure of the Merger) or any term or aspect of any other agreement or instrument contemplated by the Agreement or entered into in connection with the Merger, including the fairness of the Merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors or other constituencies of Thurston First, or as to the underlying decision by Thurston First to engage in the Merger. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors or employees of Thurston First, or any class of such persons, relative to the Merger Consideration to be paid to the holders of Thurston First Common Stock in the Merger, or with respect to the fairness of any such compensation.

We express no view as to, and our opinion does not address, the relative merits of the Merger as compared to any alternative business transactions or strategies, or whether such alternative transactions or strategies could be achieved or are available. In addition, our opinion does not address any legal, regulatory, tax or accounting matters, as to which we understand that Thurston First obtained such advice as it deemed necessary from qualified professionals.

We do not express any opinion as to the value of any asset of Thurston First whether at current market prices or in the future, or as to the price at which Thurston First or its assets could be sold in the future.

We have not evaluated the solvency or fair value of Thurston First under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. This opinion is not a solvency opinion and does not in any way address the solvency or financial condition of Commencement. We are not expressing any opinion as to the impact of the Merger on the solvency or viability of Thurston First or Commencement or the ability of Thurston First or Commencement to pay their respective obligations when they come due.

We have acted as Thurston First's financial advisor in connection with the Merger and will receive a fee for our services, a portion of which is payable upon the rendering of this opinion and a significant portion of which is contingent upon consummation of the Merger. In addition, Thurston First has agreed

to reimburse our reasonable expenses and indemnify us against certain liabilities arising out of our engagement.

Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other material financial advisory or investment banking relationships with Thurston First or Commencement and any of its affiliates.

In the ordinary course of our business, Davidson and its affiliates may actively trade or hold securities of Thurston First or Commencement, and its affiliates for our own accounts or for the accounts of our customers and, accordingly, may at any time hold long or short positions in such securities. We may seek to provide investment banking or other financial services to Thurston First or Commencement and its affiliates in the future for which we would expect to receive compensation.

This fairness opinion was reviewed and approved by the Davidson Fairness Opinion Committee.

It is understood that this letter is for the information of the Board of Directors of Thurston First in connection with and for the purposes of its consideration of the Merger. This opinion is not intended to be and does not constitute a recommendation as to how the shareholders of Thurston First should vote or act with respect to the Merger or any matter relating thereto.

This opinion is for the information of the Board of Directors of Thurston First and shall not be disclosed, referred to, published or otherwise used (in whole or in part), nor shall any public references to us be made, without our prior written consent, except that a copy of this opinion may be included in its entirety in any regulatory filing that Thurston First is required to make in connection with the Merger if such inclusion is required by applicable law.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Merger Consideration to be paid to the holders of Thurston First Common Stock in the Merger is fair, from a financial point of view, to such holders.

Very truly yours,

D.A. Davidson & Co.



July 7, 2016

Commencement Bank  
1102 Commerce Street, Suite 100  
Tacoma, WA 98402

Members of the Board of Directors:

We understand that Commencement Bank ("Commencement") intends to enter into an Agreement and Plan of Reorganization (the "Agreement") by and between Commencement and Thurston First Bank ("Thurston"), (the "Merger"). At the Effective Time, by virtue of the Merger and subject to the terms and conditions of the Agreement, each outstanding share of Thurston common stock shall be converted into the right to receive 0.9024 (the "Exchange Ratio") shares of Commencement common stock together with cash paid in lieu of fractional shares (the "Merger Consideration").

You have requested that Performance Trust Capital Partners, LLC ("PTCP" or "we") render an opinion as of the date hereof (this "Opinion") to the Board of Directors of Commencement (the "Board") as to whether the Merger Consideration pursuant to the Agreement is fair, from a financial point of view, to the holders of Commencement Common Stock.

In connection with this Opinion, we have made such reviews, analyses and inquiries as we have deemed necessary and appropriate under the circumstances. Among other things, we have:

- (i) reviewed a draft, dated July 5, 2016, of the Agreement;
- (ii) reviewed certain publicly available business and financial information relating to Commencement and Thurston;
- (iii) reviewed certain other business, financial and operating information relating to Commencement and Thurston provided to us by the management of Commencement and the management of Thurston, including financial forecasts for Commencement for the 2016 to 2020 fiscal years ending December 31, and financial forecasts for Thurston for the 2016 to 2020 fiscal years ending December 31;
- (iv) met with, either by phone or in person, certain members of the management of Commencement and Thurston to discuss the business and prospects of Commencement and Thurston and the proposed Merger;
- (v) reviewed and compared certain financial metrics of Commencement with certain financial metrics of Thurston that we deemed relevant;

PERFORMANCE TRUST  
CAPITAL PARTNERS

500 W. Madison, Suite 450  
Chicago, IL 60661  
P 312.521.1000 | F 312.521.1001  
www.performancetrust.com

(vi) reviewed certain financial data of Commencement and Thurston, and compared that data with similar data for companies with publicly traded equity securities that we deemed relevant; and

(vii) considered such other information, financial studies, analyses and investigations and financial, economic and market criteria that we deemed relevant.

In connection with our review, we have not independently verified any information, including the foregoing information, and we have assumed and relied upon all data, material and other information furnished, or otherwise made available, to us, discussed with or reviewed by us, or publicly available, being complete and accurate in all material respects and we do not assume any responsibility with respect to such data, material and other information. With respect to the financial forecasts and projections for Commencement that we have used in our analyses, the management of Commencement have advised us, and we have assumed, that such forecasts and projections have been reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of the management of Commencement as to the future financial performance of Commencement and we express no opinion with respect to such forecasts, projections, estimates or the assumptions on which they are based.

We have relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the Agreement and all other related documents and instruments that are referred to therein are true and correct, (b) each party to all such agreements will perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the Merger will be satisfied without waiver thereof, and (d) the Merger will be consummated in a timely manner in accordance with the terms described in the Agreement provided to us, without any amendments or modifications thereto or any adjustments to the consideration. We have relied upon and assumed, without independent verification, that there has been no material change in the business, assets, liabilities, financial condition, results of operations, cash flows or prospects of Commencement and Thurston since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to us that would be material to our analyses or this Opinion, and that there is no information or any facts that would make any of the information reviewed by us incomplete or misleading. We have also relied upon and assumed without independent verification, with your consent, that, in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the Merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Commencement, Thurston or the contemplated benefits of the Merger and that the Merger will be consummated in accordance with the terms of the Agreement without waiver, modification or amendment of any term, condition or provision thereof that would be material to our analyses or this Opinion. We have relied upon and assumed, with your consent, that the Agreement, when executed by the parties thereto, will conform to the draft reviewed by us in all respects material to our analyses.

This Opinion only addresses the fairness, from a financial point of view, of the Merger Consideration to the holders of Commencement Common Stock pursuant to the Agreement in the manner set forth above and this Opinion does not address any other aspect or implication of the Merger or any agreement, arrangement or understanding entered into in connection with the

Merger or otherwise, including, without limitation, the amount or nature of, or any other aspect relating to, any compensation to any officers, trustees, directors or employees of any party to the Merger, class of such persons or shareholders of Thurston, relative to the Merger Consideration or otherwise.

This Opinion is necessarily based upon information made available to us as of the date hereof and financial, economic, market and other conditions as they exist and can be evaluated on the date hereof. As you are aware, the credit, financial and stock markets have been experiencing unusual volatility and we express no opinion or view as to any potential effects of such volatility on Commencement, Thurston or the Merger. We have not undertaken, and are under no obligation, to update, revise, reaffirm or withdraw this Opinion, or otherwise comment on or consider events occurring after the date hereof. We have not been requested to, and did not, (a) initiate or participate in any discussions or negotiations with third parties with respect to the Merger, the securities, assets, businesses or operations of Commencement or any other party, or any alternatives to the Merger, (b) negotiate the terms of the Merger, or (c) advise the Board or any other party with respect to alternatives to the Merger. This Opinion does not address the relative merits of the Merger as compared to alternative strategies that might be available to Commencement, nor does it address the underlying business decision of Commencement or the Board to approve, recommend or proceed with the Merger. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources. Furthermore, we have relied on, with your consent, advice of the outside counsel and the independent accountants of Commencement, and on the assumptions of the management of Commencement and Thurston, as to all legal, regulatory, accounting, insurance and tax matters with respect to Commencement, Thurston and the Merger.

We have not been requested to make, and have not made, any physical inspection or an independent evaluation or appraisal of any assets or liabilities (contingent or otherwise) of Commencement or Thurston, nor have we been furnished with any such evaluations or appraisals, with the exception of a third party loan review of Commencement and Thurston. In addition, we are not experts in evaluating loan, lease, investment or trading portfolios for purposes of assessing the adequacy of the allowances for losses, or evaluating loan servicing rights or goodwill for purposes of assessing any impairment thereto. We did not make an independent evaluation of the adequacy of Commencement's or Thurston's allowances for such losses, nor have we reviewed any individual loan or credit files or investment or trading portfolios. In all cases, we have assumed that Commencement's and Thurston's allowances for such losses are adequate to cover such losses. We have not evaluated the solvency of Commencement or Thurston or the solvency or fair value of Commencement, Thurston or any other entity or person or their respective assets or liabilities under any state or federal laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters.

We and our affiliates may currently be providing and may in the future provide investment banking and other financial services to Commencement, Thurston and certain of their respective affiliates, for which we and our affiliates have received and would expect to receive compensation. We are a broker-dealer engaged in securities trading and brokerage activities as well as providing

investment banking and other financial services. In the ordinary course of business, we and our affiliates may acquire, hold or sell, for our and our affiliates own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of Commencement, Thurston and certain of their affiliates, as well as provide investment banking and other financial services to such companies and entities. PCTP has adopted policies and procedures designed to preserve the independence of its investment advisory analysts whose views may differ from those of the members of the team of investment banking professionals that advised Commencement.

We have acted as financial advisor to Commencement in connection with the Merger and will receive fees for our services, a portion of which are contingent upon the consummation of the Merger. In addition, Commencement has agreed to indemnify us and certain related parties for certain liabilities arising out of or related to our engagement and to reimburse us for certain expenses incurred in connection with our engagement.

This Opinion and any other advice or analyses (written or oral) provided by PTCP were provided solely for the use and benefit of the Board (in its capacity as such) in connection with the Board's consideration of the Merger and does not, confer any rights or remedies upon any other person, and is not intended to be used, and may not be used, for any other purpose, without the express, prior written consent of PTCP. This Opinion may not be disclosed, reproduced, disseminated, quoted, summarized or referred to at any time, in any manner or for any purpose, nor shall any references to PTCP or any of its affiliates be made by any recipient of this Opinion, without the prior, written consent of PTCP, except as required by law. This Opinion should not be construed as creating, and PCTP shall not be deemed to have, any fiduciary duty to the Board, Commencement, any security holder or creditor of Commencement or any other person, regardless of any prior or ongoing advice or relationships. This Opinion does not constitute advice or a recommendation to any security holder of Commencement or any other person or entity with respect to how such security holder or other person or entity should vote or act with respect to any matter relating to the Merger. The issuance of this Opinion was approved by an authorized internal committee of PTCP.

In connection with the Merger, the undersigned, acting as an independent financial advisor to Commencement, hereby consents to the inclusion of our opinion letter to the board of directors of Commencement as an Annex to, and the references to our firm and such opinion in, the Proxy Statement/Prospectus relating to the proposed Merger. In giving such consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended (the "Act"), or the rules and regulations of the SEC thereunder (the "Regulations"), nor do we admit that we are experts with respect to any part of such Proxy Statement/Prospectus within the meaning of the term "experts" as used in the Act or the Regulations.

Based upon and subject to the foregoing, and in reliance thereon, it is our opinion that, as of the date hereof, the Merger Consideration pursuant to the Agreement is fair, from a financial point of view, to the holders of Commencement Common Stock.

PERFORMANCE TRUST CAPITAL PARTNERS, LLC