



COMMENCEMENT BANK
**Proxy Statement related to
Annual Shareholders' Meeting
To be held on April 28, 2020**

COMMENCEMENT BANCORP, INC.
**Prospectus related to issuance of up to
4,117,215 shares of Common Stock**

PROPOSED REORGANIZATION; YOUR VOTE IS IMPORTANT

To the Shareholders of Commencement Bank:

The Board of Directors of Commencement Bank (the "Board") is proposing a reorganization whereby Commencement Bank (the "Bank") will become a wholly-owned subsidiary of a newly-organized financial holding company, Commencement Bancorp, Inc. ("Commencement Bancorp"), that will, in turn, be owned by the current shareholders of the Bank (the "Reorganization").

The Reorganization involves only a change in the form of ownership of the Bank, does not involve a sale of the Bank and will not change your equity or voting interest relative to other shareholders. If the Reorganization is completed, the outstanding shares of Bank stock will be converted to and treated as an equal number of shares of Commencement Bancorp common stock without further action by the Bank shareholders.

The principal advantage of a financial holding company structure is it allows the Bank to be internally leveraged with holding company debt, which simultaneously reduces the amount of common equity required from shareholders to support the Bank's capital while increasing the shareholders' return on the capital invested. The ability to utilize financial holding company debt as a source of bank-level capital will allow the Bank to grow without dilution of the equity ownership of shareholders. The financial holding company structure will also provide operational flexibility, because Management will be able to tap holding company debt to meet common strategic challenges and opportunities such as providing growth capital for a bank subsidiary, buying another bank or branch, and repurchasing stock to support shareholder liquidity. Management and the Board believe that the opportunities afforded to financial holding companies can have a material and lasting impact on shareholder value. (See "*THE REORGANIZATION – Reasons for the Reorganization – Meeting Capital Needs*" beginning on page 10.)

The Reorganization will be effected by the approval of a Reorganization Agreement and Plan of Share Exchange (the "Reorganization Plan"), which has been approved by the Board and is being recommended to the shareholders of the Bank for their approval. A copy of the Reorganization Plan is attached to this proxy statement/prospectus as Exhibit A.

APPROVAL OF THE REORGANIZATION REQUIRES THE AFFIRMATIVE VOTE OF TWO-THIRDS (2/3) OF THE ISSUED AND OUTSTANDING SHARES OF COMMENCEMENT BANK COMMON STOCK. THEREFORE, YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF HOW MANY SHARES YOU OWN. Whether you plan to attend the Annual Meeting or not, please complete, date, sign and return the proxy card, or vote online at www.proxyvote.com. If you prefer to attend the meeting and vote in person, you may do so, even if you turn in your proxy or otherwise vote ahead of time.

The attached document is both a proxy statement by which the Board of Directors of the Bank is soliciting proxies for use at the Annual Meeting, and a prospectus relating to the shares of Commencement Bancorp common stock that the Bank's shareholders will receive if the Reorganization is completed.

You should carefully read the information under "RISK FACTORS" beginning on page 13 before voting.

Our Board of Directors believes that the Reorganization is in the best interests of the Bank and its shareholders, unanimously approves the Reorganization proposal, and unanimously recommends that you vote "FOR" approval of the Reorganization.

THE SHARES OF COMMENCEMENT BANCORP, INC. COMMON STOCK TO BE ISSUED IN THE REORGANIZATION WILL NOT BE SAVINGS ACCOUNTS OR DEPOSITS, AND WILL NOT BE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE SECURITIES TO BE ISSUED IN THE REORGANIZATION, PASSED UPON THE ACCURACY OF THIS PROXY STATEMENT/PROSPECTUS OR DETERMINED IF THIS PROXY STATEMENT/PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

If you would like to suggest a topic or submit a question to be addressed at the Annual Meeting, please send the information to Jazarae R. Augustin at: jaugustin@commencementbank.com, via fax at (253) 284-1850, or mail to: Commencement Bank, 1102 Commerce Street, Tacoma, WA 98402.

The Bank's 2019 earnings release is enclosed, and also available at www.commercementbank.com – "About Us" – "Financial Performance & News." The 2019 Annual Report will be available on our website on April 10, 2020.

On behalf of the Board of Directors, and all Commencement Bank employees, we appreciate your continued support. We look forward to seeing you at the Annual Meeting on April 28th. It is important that you return your proxy as soon as possible.

Sincerely,



John E. Manolides, President and Chief Executive Officer
of Commencement Bank and Commencement Bancorp, Inc.

The date of this Proxy Statement/Prospectus is March 5, 2020.
This Proxy Statement/Prospectus is first being mailed to shareholders on or about March 5, 2020.

**Annual Meeting of Shareholders
Tuesday, April 28, 2020
3:00 p.m., local time
Tacoma Country & Golf Club – Grill Room
13204 Country Club Drive SW
Lakewood, WA 98498**



NOTICE OF ANNUAL MEETING OF COMMENCEMENT BANK SHAREHOLDERS

Date: April 28, 2020
Time: 3:00 p.m., local time
Place: Tacoma Country & Golf Club
Grill Room
13204 Country Club Drive SW
Lakewood, WA 98498

TO OUR SHAREHOLDERS:

We are pleased to notify you of and invite you to your Annual Meeting of Shareholders. At the Annual Meeting, you will be asked to vote on the following matters:

1. To approve the Reorganization Agreement and Plan of Share Exchange (the “Reorganization Plan”), dated January 29, 2020 to reorganize Commencement Bank to become a subsidiary of Commencement Bancorp, Inc.;
2. To approve the Commencement Bank Employee Stock Purchase Plan;
3. To ratify the appointment of Fortner, Bayens, Levkulich & Garrison, P.C. as the Bank’s independent registered public accounting firm for the fiscal year ended December 31, 2020; and
4. To transact any other business that may properly come before the meeting.

The record date for the Annual Meeting is February 24, 2020. Only shareholders of record at the close of business on that date can vote at the meeting. In order to complete the Reorganization, two-thirds (2/3) of the outstanding Bank common stock must be voted in favor of the Reorganization.

Shareholders have the right to vote against the Reorganization, perfect their dissenters’ rights, and receive the value of their shares of Bank common stock in cash. Dissenting shareholders will be entitled to payment of the value of only those shares which are voted against approval of the Reorganization. A summary of these rights of dissenting shareholders can be found under “*DISSENTERS’ RIGHTS*” beginning on page 30 of the proxy statement/prospectus, and a copy of the Washington Commercial Bank Act statutes governing dissenters’ rights is attached as Exhibit D to this proxy statement/prospectus.

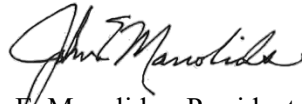
The directors of the Bank unanimously believe that the proposed Reorganization is in the best interests of the Bank and its shareholders, and urge shareholders to vote FOR the Reorganization, FOR approval of the Commencement Bank Employee Stock Purchase Plan, and FOR ratification of the independent registered public accounting firm.

On April 10, 2020, Commencement Bank’s 2019 Annual Report will be available on our website at: www.commencementbank.com. A copy will be provided without charge upon request directed to Commencement Bank, attention Jazarae R. Augustin, at 1102 Commerce Street, Tacoma, Washington 98402.

The Bank's 2019 earnings release is enclosed, and also available at www.commencementbank.com
– “About Us” – “Financial Performance & News.”

By Order of the Board of Directors

Dated: March 5, 2020


John E. Manolides, President and CEO



Commencement Bank Announces 2019 Results

2019 Financial Highlights:

- Total assets increased \$30.9 million, or 9%, to \$388.4 million at December 31, 2019 from \$357.5 million at December 31, 2018. Assets increased \$13 million, or 3%, from the \$375.4 million recorded at September 30, 2019.
- Net income of \$1.148 million, or \$0.27 per share for the quarter ended December 31, 2019 compared to \$1.203 million, or \$0.29 per share for the quarter ended December 31, 2018.
- Tangible book value per share increased to \$11.03 at December 31, 2019, an increase of 12.8% from December 31, 2018.
- Return on average assets of 1.19% for the fourth quarter.
- Nonperforming assets of 0.70% at the end of the year.
- Efficiency ratio was 60.07% for the quarter ending December 31, 2019 versus 57.17% for the same period in 2018.

Commencement Bank (OTCQX:CBWA) reported a net income of \$4.79 million or \$1.17 per share for 2019, compared to \$5.04 million or \$1.23 per share for 2018. Net interest income after provision for credit loss decreased slightly to \$14.29 million compared to \$14.36 million one year prior.

Total assets were \$388.4 million, an increase of 9% in comparison to one year earlier. Capital ratios continued to exceed regulatory requirements, with total risk-based capital substantially above well-capitalized regulatory requirements.

Total loans at the end of 2019 were \$297.7 million, an increase of 11% from \$268.1 million the prior year. Nonperforming assets to total assets at year-end were 0.70% and the Bank's Texas Ratio, a measurement of problem loans and bank-owned properties to capital, was 5.2%. The Bank's loan portfolio remained diversified at 31% commercial, 65% commercial real estate, and 4% consumer.

Total deposits at the end of 2019 were \$334.4 million, an increase of 7.2% from \$311.9 million in 2018. The deposit mix at quarter-end was 29% non-interest-bearing, 44% interest bearing (checking, savings, and money market), and 27% time deposit.

"We experienced another year of growth in 2019 with an increase in both loans and deposits. We also added a new full-service branch to the Auburn market which accompanies our goal of expanding our high-touch service and community focus to South King County. In addition to financial and physical growth, we also plan to increase our service-lines starting with the implementation of a government guaranteed lending division in 2020. Since the Bank's inception, we've specialized in small business lending and having this dedicated department will allow us to better serve businesses across the Puget Sound," said John Manolides, President and CEO.

For further discussion, please contact the following:

John E. Manolides – President and CEO

Direct Phone: (253)284-1802

Tom Dhamers – Executive Vice President and Chief Financial Officer

Direct Phone: (253)284-1803

About Commencement Bank

Commencement Bank, headquartered in Tacoma, Washington, was formed in 2006 to provide traditional, reliable, and sustainable banking in Pierce County, South King County, Thurston County and the surrounding areas. The team of experienced banking experts focuses on personal attention, flexible service, and building strong relationships with customers through state-of-the-art technology as well as traditional delivery systems. As a local bank, Commencement Bank is deeply committed to the community.

For more information, visit: www.commencementbank.com. For information related to the trading of CBWA, please visit www.otcm Markets.com.

Forward-Looking Statement Safe Harbor: This news release contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Forward-looking statements describe Commencement Bank's projections, estimates, plans and expectations of future results and can be identified by words such as "believe," "intend," "estimate," "likely," "anticipate," "expect," "looking forward," and other similar expressions. They are not guarantees of future performance. Actual results may differ materially from the results expressed in these forward-looking statements, which because of their forward-looking nature, are difficult to predict. Investors should not place undue reliance on any forward-looking statement, and should consider factors that might cause differences including but not limited to the degree of competition by traditional and nontraditional competitors, declines in real estate markets, an increase in unemployment or sustained high levels of unemployment; changes in interest rates; greater than expected costs to integrate acquisitions, adverse changes in local, national and international economies; changes in the Federal Reserve's actions that affect monetary and fiscal policies; changes in legislative or regulatory actions or reform, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act; demand for products and services; changes to the quality of the loan portfolio and our ability to succeed in our problem-asset resolution efforts; the impact of technological advances; changes in tax laws; and other risk factors. Commencement Bank undertakes no obligation to publicly update or clarify any forward-looking statement to reflect the impact of events or circumstances that may arise after the date of this release.

STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands)

	Quarter Ended December 31, 2019	Quarter Ended September 30, 2019	Three Month	Quarter Ended December 31, 2018	One Year Change
Interest Income					
Loans	\$ 3,650	\$ 4,582	-20%	\$ 3,655	0%
Interest bearing deposits in banks	279	311	-10%	229	22%
Securities	119	118	1%	120	-1%
Total interest income	4,048	5,011	-19%	4,004	1%
Interest Expense					
Deposits	699	762	-8%	508	38%
Federal Home Loan Bank borrowings	-	2	-100%	8	-100%
Total interest expense	699	764	-9%	516	35%
Net Interest Income	3,349	4,247	-21%	3,488	-4%
Provision for credit losses	-	-	-	40	-100%
Net interest income after provision for credit losses	3,349	4,247	-21%	3,448	-3%
Non-Interest Income					
Service charges on deposit accounts	41	41	0%	44	-7%
Other non-interest income	221	237	-7%	131	69%
Total non-interest income	262	278	-6%	175	50%
Non-Interest Expense					
Salaries and employee benefits	1,205	1,617	-25%	1,129	7%
Occupancy and equipment expenses	327	279	17%	241	36%
Other operating expenses	637	762	-16%	724	-12%
Total non-interest expense	2,169	2,658	-18%	2,094	4%
Net Income Before Income Tax	1,442	1,867	-23%	1,529	-6%
Provision for Income Tax	294	332	-11%	326	-10%
Net Income	\$ 1,148	\$ 1,535	-25%	\$ 1,203	-5%

STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands)

	For Year Ended		
	December	December	One Year
	31, 2019	31, 2018	Change
Interest Income			
Loans	\$ 15,641	\$ 15,100	4%
Interest bearing deposits in banks	1,128	633	78%
Securities available for sale	488	489	0%
Total interest income	17,257	16,222	6%
Interest Expense			
Deposits	2,667	1,528	75%
Federal Home Loan Bank borrowings	11	51	-78%
Total interest expense	2,678	1,579	70%
Net Interest Income	14,579	14,643	0%
Provision for credit losses	290	285	100%
Net interest income after provision for credit losses	14,289	14,358	0%
Non-Interest Income			
Service charges on deposit accounts	157	160	-2%
Other non-interest income	796	501	59%
Total non-interest income	953	661	44%
Non-Interest Expense			
Salaries and employee benefits	5,465	4,810	14%
Occupancy and equipment expenses	1,121	923	21%
Other operating expenses	2,786	2,945	-5%
Total non-interest expense	9,372	8,678	8%
Net Income Before Income Tax	5,870	6,341	-7%
Provision for Income Tax	1,082	1,305	-17%
Net Income	\$ 4,788	\$ 5,036	-5%

BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	December 31, 2019	September 30, 2019	Three Month Change	December 31, 2018	One Year Change
Assets					
Cash and due from banks	\$ 8,626	\$ 8,474	2%	\$ 8,112	6%
Interest bearing deposits in banks	34,521	34,599	0%	27,204	27%
Securities available for sale	14,731	16,609	-11%	15,005	-2%
Federal funds sold	12,201	9,881	23%	23,966	-49%
FHLB, FRB and PCBB stock	1,925	1,925	0%	1,676	15%
Loans	297,699	286,174	4%	268,132	11%
Allowance for loan losses	(3,216)	(3,198)	1%	(2,976)	8%
Net Loans	294,483	282,976	4%	265,156	11%
Premises and fixed assets	7,959	5,937	34%	3,237	146%
Accrued interest receivable	995	930	7%	801	24%
Intangible assets	1,374	1,394	-1%	1,456	-6%
Other assets	11,569	12,669	-9%	10,858	7%
Total Assets	\$ 388,384	\$ 375,394	3%	\$ 357,471	9%
Liabilities and Shareholders' Equity					
Deposits					
Demand, non-interest bearing	\$ 97,843	\$ 90,050	9%	\$ 91,614	7%
Savings and interest bearing demand	147,964	147,956	0%	164,009	-10%
Time	88,562	84,193	5%	56,247	57%
Total Deposits	334,369	322,199	4%	311,870	7%
Federal Home Loan Bank borrowings	-	-	#DIV/0!	845	-100%
Accrued interest payable	112	109	3%	34	229%
Other liabilities	6,207	6,565	-5%	2,261	175%
Total Liabilities	340,688	328,873	4%	315,010	8%
Shareholders' Equity					
Common stock ⁽¹⁾	4,199	4,196	0%	3,808	10%
Additional paid in capital	39,473	39,439	0%	34,320	15%
Retained Earnings	4,050	2,902	40%	4,632	-13%
Other Comprehensive income	(26)	(16)	63%	(299)	91%
Total Shareholders' Equity	47,696	46,521	3%	42,461	12%
Total Liabilities and Shareholders' Equity	\$ 388,384	\$ 375,394	3%	\$ 357,471	9%

⁽¹⁾ \$1 par value, shares authorized 12,100,000, issued and outstanding 4,198,527

	Quarterly				
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Financial Ratios					
Return on Average Assets	1.19%	1.60%	1.17%	1.25%	1.39%
Return on Average Equity	9.64%	13.27%	9.39%	10.06%	11.46%
Efficiency Ratio	60.07%	58.75%	58.89%	64.12%	57.17%
Yield on Earning Assets	4.49%	5.59%	5.07%	4.95%	4.87%
Cost of Funds	0.84%	0.93%	0.84%	0.77%	0.69%
Net Interest Margin	3.71%	4.73%	4.30%	4.24%	4.24%
Tangible Book Value per Share	\$ 11.03	\$ 10.76	\$ 10.38	\$ 9.98	\$ 9.78
Earnings per Share	\$ 0.27	\$ 0.37	\$ 0.25	\$ 0.28	\$ 0.29
Loan to Deposits	89.0%	88.8%	91.6%	87.2%	86.0%
Tangible Equity to Tangible Assets	12.0%	12.1%	12.0%	12.0%	11.5%
Asset Quality					
Allowance for Loan Losses to Total Loans	1.08%	1.12%	1.11%	1.11%	1.11%
Texas Ratio	5.20%	0.00%	0.00%	0.00%	0.00%
Nonperforming Assets to Assets	0.70%	0.00%	0.00%	0.00%	0.00%

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EXHIBITS

Exhibit A	Reorganization Agreement and Plan of Share Exchange, dated January 29, 2020 between Commencement Bank and Commencement Bancorp, Inc.
Exhibit B	Articles of Incorporation of Commencement Bancorp, Inc.
Exhibit C	Articles of Incorporation and Articles of Amendment of Commencement Bank
Exhibit D	Dissenters' Rights Provisions and Washington Commercial Bank Act applicable statutes
Exhibit E	Activities Permissible for a Financial Holding Company (12 CFR § 225.86); Nonbanking Activities Permissible for a Financial Holding Company (12 CFR § 225.28)
Exhibit F	Commencement Bank Employee Stock Purchase Plan

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COMMENCEMENT BANK
1102 Commerce St, Tacoma, WA 98402

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS
To Be Held April 28, 2020

The board of directors of Commencement Bank (referred to herein as the “Bank,” “we,” “us” or the “Company”) solicits your proxy to vote at the Annual Meeting of Shareholders (the “Annual Meeting”) to be held on April 28, 2020, beginning at 3:00 p.m., in the Grill Room of the Tacoma Country & Golf Club, 13204 Country Club Drive SW, Lakewood, WA 98498, and at any adjournments or postponements thereof. This proxy statement is first being released to shareholders by the Company on or about March 5, 2020.

MATTERS TO BE CONSIDERED

1. To approve the Reorganization Agreement and Plan of Share Exchange (the “Reorganization Plan”), dated January 29, 2020 to reorganize Commencement Bank to become a subsidiary of Commencement Bancorp, Inc.;
2. To approve the Commencement Bank Employee Stock Purchase Plan;
3. To ratify the appointment of Fortner, Bayens, Levkulich & Garrison, P.C. as the Bank’s independent registered public accounting firm for the fiscal year ended December 31, 2020; and
4. To transact any other business that may properly come before the meeting.

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE
ANNUAL MEETING**

1. Q: Why am I receiving these materials?

A: We are furnishing the enclosed Notice of Annual Meeting of Shareholders, proxy statement and proxy card to you, and to all shareholders of record as of the close of business on February 24, 2020, because the board of directors of the Bank is soliciting your proxy to vote at the Annual Meeting and at any adjournment or postponement thereof.

2. Q: When and where is the Annual Meeting?

A: The Annual Meeting will be held in the Grill Room of the Tacoma Country & Golf Club, 13204 Country Club Drive SW, Lakewood, WA 98498, on April 28, 2020, at 3:00 p.m., local time.

3. Q: Who can attend the Annual Meeting?

A: Only shareholders who own shares of Commencement common stock as of the close of business on February 24, 2020, the record date, will be entitled to attend the Annual Meeting.

4. Q: What should I do if I receive more than one set of proxy materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account. If you are a shareholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please vote each proxy card and voting instruction card that you receive.

5. Q: What is the difference between holding shares as a record holder versus a beneficial owner?

A: Many Bank shareholders hold their shares through a broker or other nominee rather than directly in their own name. There are some distinctions between shares held of record and those owned beneficially:

Record Holders: If your shares are registered directly in your name or with our transfer agent, Transfer Online, you are considered, with respect to those shares, the shareholder of record or record holder. As the shareholder of record, you have the right to grant your voting proxy directly to the Bank or to vote in person at the Annual Meeting. We have enclosed a proxy card for you to use.

Beneficial Owner: If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you automatically, along with a voting instruction card from your broker, bank or nominee. As a beneficial owner, you have the right to direct your broker, bank or nominee how to vote and are also invited to attend the Annual Meeting. Since a beneficial owner is not the shareholder of record, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from the broker, bank or nominee that holds your shares, giving you the right to vote the shares at the meeting. Your broker, bank or nominee has enclosed or provided voting instructions for you to use in directing how to vote your shares. If you do not provide specific voting instructions by the deadline set forth in the materials you receive from your broker, bank or other nominee, your broker, bank or nominee can vote your shares with respect to “discretionary” items, but not with respect to “non-discretionary” items. Approval of the Reorganization Plan and approval of the ESPP are considered “non-discretionary items,” while the ratification of the appointment of our independent registered public accounting firm is considered a discretionary item. For non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes. See Question 11 below for more information about broker non-votes.

6. Q: Who can vote and how do I vote?

A: Only holders of our common stock at the close of business on February 24, 2020, the record date, will be entitled to notice of and to vote at the Annual Meeting. To ensure that your vote is recorded promptly, please vote as soon as possible, even

if you plan to attend the Annual Meeting in person. Most shareholders have four options for submitting their votes:

- in person at the Annual Meeting with a proxy card/legal proxy;
- by mail, using the paper proxy card;
- by telephone, by calling the toll-free telephone number on the proxy card; or
- through the Internet, using the procedures and instructions described on the proxy card.

Beneficial owners may vote by telephone or Internet if their bank or broker makes those methods available, in which case the bank or broker will enclose the instructions with the proxy materials.

For further instructions on voting, see your proxy card. If you vote by proxy using the paper proxy card, by telephone or through the Internet, the shares represented by the proxy will be voted in accordance with your instructions. If you attend the Annual Meeting, you may also submit your vote in person, and any previous votes that you submitted by mail, telephone or Internet will be superseded by the vote that you cast at the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain from the record holder a legal proxy issued in your name.

7. Q: What are my voting choices, and how many votes are required for approval?

A: The Reorganization Plan requires the affirmative vote of two-thirds of the outstanding shares to be approved. Shareholders may vote FOR, AGAINST, or ABSTAIN from voting on the Reorganization Plan.

The board of directors recommends a vote FOR approval of the Reorganization Plan.

Approval of the ESPP requires the affirmative vote of a majority of the voting power of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the proposal. Shareholders may vote FOR, AGAINST, or ABSTAIN from voting on the proposal.

The board of directors recommends a vote FOR the approval of the ESPP.

Ratification of the appointment of Fortner, Bayens, Levkulich & Garrison, P.C. as the Bank's independent registered public accounting firm for 2020 will require the affirmative vote of a majority of the voting power of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the proposal, however, shareholder ratification is not required to authorize the appointment of Fortner, Bayens, Levkulich & Garrison, P.C. as the Bank's independent registered public accounting firm. Shareholders may vote FOR, AGAINST, or ABSTAIN from voting on the ratification.

The board of directors recommends a vote FOR the ratification of the appointment of Fortner, Bayens, Levkulich & Garrison, P.C. as the Bank's independent registered public accounting firm for 2020.

8. Q: What is the effect of an “abstain” vote on the proposals to be voted on at the Annual Meeting?

A: An “abstain” vote with respect to any proposal is considered present and entitled to vote with respect to that proposal, but is not considered a vote cast with respect to that proposal. Approval of the Reorganization Plan requires the affirmative vote of two-thirds of the outstanding shares entitled to vote on the proposal and approval of the ESPP requires the affirmative vote of a majority of the voting power of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the proposals in order to pass, therefore an abstention will have the effect of a vote against approval of the Reorganization Plan and the ESPP.

9. Q: What is the effect of a “broker non-vote” on the proposals to be voted on at the Annual Meeting?

A: A “broker non-vote” occurs if your shares are not registered in your name and you do not provide the record holder of your shares (usually a bank, broker, or other nominee) with voting instructions on a matter and the record holder is not permitted to vote on the matter without instructions from you under applicable rules.

The Plan of Reorganization. Because the affirmative vote of the holders of two-thirds (2/3) of the outstanding common stock of the Bank entitled to vote on the Reorganization is required to approve the Reorganization Plan, if you do not instruct your broker how to vote, it will have the same effect as if you voted AGAINST the Reorganization Plan.

The Employee Stock Purchase Plan. A broker non-vote is considered present for purposes of determining whether a quorum exists, but is not considered a “vote cast” or “entitled to vote” with respect to such matter. Therefore, broker non-votes will not have any effect on the approval of the ESPP.

Ratification of the Bank's independent registered public accounting firm. The ratification of appointment of our independent registered public accounting firm is a routine item under governing rules. As a result, brokers who do not receive instructions as to how to vote on these matters generally may vote on this matter in their discretion.

Approval of the Plan of Reorganization and ESPP are not considered discretionary items. Therefore, if you do not provide instructions to the record holder of your shares with respect to the Plan of Reorganization or approval of the ESPP, broker non-votes will result with respect thereto.

10. Q: Revocation of proxy: May I change my vote after I return my proxy?

A: Yes, you may revoke your proxy if you are a record holder by:

- filing written notice of revocation with the Bank's corporate secretary at our principal executive offices at 1102 Commerce St, Tacoma, WA 98402;
- signing a proxy bearing a later date than the proxy being revoked and submitting it to the Bank's corporate secretary at our principal executive offices at 1102 Commerce St, Tacoma, WA 98402; or
- voting in person at the Annual Meeting.

If your shares are held in street name through a broker, bank, or other nominee, you need to contact the record holder of your shares regarding how to revoke your proxy.

11. Q: What if I sign and return a proxy card but do not specify a choice for a matter when returning the proxy?

- A: Unless you indicate otherwise, the persons named as proxies on the proxy card will vote your shares: FOR the approval of the Reorganization Plan; FOR the approval of the ESPP; and FOR the ratification of Fortner, Bayens, Levkulich & Garrison, P.C. as the Bank's independent registered public accounting firm for 2020.

12. Q: What constitutes a quorum?

- A: Presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the voting power of the issued and outstanding shares of the Bank's common stock entitled to vote at the Annual Meeting will constitute a quorum, permitting the Annual Meeting to proceed and business to be conducted. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting for purposes of determining whether a quorum is present.

13. Q: Who will pay the costs of soliciting these proxies?

- A: Commencement Bank and Commencement Bancorp, Inc. (referred to herein as "Commencement Bancorp") will share the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to shareholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of common stock for their reasonable costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies may be supplemented by electronic means, mail, facsimile, telephone or personal solicitation by our directors, officers or other employees. No additional compensation will be paid to our directors, officers or other regular employees for such services.

14. Q: What happens if additional matters are presented at the Annual Meeting?

- A: Other than the three proposals described in this proxy statement, we are not aware of any other properly submitted business to be acted upon at the Annual Meeting.

If you grant a proxy, the persons named as proxy holders, Thomas L. Dhamers and Jazarar R. Augustin, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting, including matters of which the Company did not have notice within a reasonable time prior to the mailing of these proxy materials.

PROPOSAL 1

TO APPROVE THE REORGANIZATION PLAN, DATED JANUARY 29, 2020 TO REORGANIZE COMMENCEMENT BANK TO BECOME A SUBSIDIARY OF COMMENCEMENT BANCORP, INC.

COMMONLY ASKED QUESTIONS REGARDING THE REORGANIZATION OF A BANK TO A FINANCIAL HOLDING COMPANY STRUCTURE

What is a financial holding company?

A financial holding company is a state-chartered corporation that owns a substantial amount of the common stock of a bank. In this case, it is proposed that, upon completion of the Reorganization, Commencement Bancorp will own 100% of the outstanding common stock of the Bank, and the former shareholders of Commencement Bank will own all of the outstanding shares of common stock of Commencement Bancorp.

What activities can a financial holding company engage in that a Bank cannot engage in?

A financial holding company can engage in a number of financial and non-banking activities that a Bank is not permitted to engage in. These activities are generally closely related to banking. A list of permissible activities for a financial holding company are listed in Exhibit E.

Why is the formation of a financial holding company a financially attractive option to Bank shareholders?

For shareholders, one of the principal advantages of the financial holding company structure is that it allows the shareholders' investment to be internally leveraged with holding company debt, which simultaneously reduces the amount of common equity required from shareholders to support the Bank's capital, while increasing the shareholders' return on capital invested. In addition, leverage provides an undiluted source of bank-level capital to support growth as compared to common stock. Accordingly, management and the Board believe that taking advantage of the opportunities afforded to a financial holding company can have a material and lasting impact on shareholder value. (See "*THE REORGANIZATION – Reasons for the Reorganization*" beginning on page 10.)

Does this mean the Bank is being sold?

No. The Bank is not being sold and you are not being asked to relinquish your ownership interests in the Bank. Rather, if the Reorganization is completed, you will receive one (1) share of Commencement Bancorp common stock for every share of Bank stock that you own. The end result is that you will own Commencement Bancorp stock, and Commencement Bancorp will own the Bank.

What happens to the Bank if the Reorganization is completed?

The Bank will continue to operate with all of its same directors, officers and employees and at the same locations. The only difference is that all of the common stock of the Bank will be owned by Commencement Bancorp and you and other shareholders will own shares of Commencement Bancorp common stock rather than shares of Bank common stock.

If I do not want to be a shareholder of Commencement Bancorp, can I continue to own Bank stock?

No. If the Reorganization is completed you will not be entitled to hold Bank common stock. However, if the Reorganization is completed, you will be entitled to receive cash for those shares of Bank common stock which are voted against the Reorganization Plan if you properly exercise what are known as “dissenters’ rights” and follow the procedures required by the Washington Commercial Bank Act. Such procedures and statutes are summarized under “DISSENTERS’ RIGHTS” beginning on page 30.

When will the Reorganization be effective?

The Reorganization will occur after we receive approval from the shareholders and regulators and all of the other conditions contained in the Reorganization Plan have been satisfied or waived. The Reorganization Agreement and Plan of Share Exchange shall become effective upon the filing of the Articles of Share Exchange with the Washington State Department of Financial Institutions (the “Effective Date”). Currently, we anticipate that the Reorganization will be completed by May 15, 2020.

If I hold physical share certificates, should I send in my Bank stock certificates now?

No. When the financial holding company reorganization is completed, each share of Bank common stock held by a Bank shareholder will automatically become one share of Commencement Bancorp common stock.

What should I do if my shares of Bank common stock are held in a brokerage account?

YOU WILL NEED TO VOTE THE PROXY YOU RECEIVE FROM YOUR BROKER. Other than voting your shares you are not required to take any specific actions if your shares of Bank common stock are held in a brokerage account. After the completion of the Reorganization, shares of Bank common stock held at brokerage accounts (for which no dissenters’ rights were exercised) will be automatically converted into shares of Commencement Bancorp common stock.

If the Reorganization is approved, how will the two entities be regulated?

If the Reorganization is completed: (1) the Federal Bank Holding Company Act of 1956, as amended (the “BHCA”), will apply to Commencement Bancorp, and the Board of Governors of the Federal Reserve System (the “Federal Reserve”) will regulate its operations as a financial holding company; (2) the Bank will continue to be regulated by the Federal Reserve Bank (the “FRB”), and the State of Washington Department of Financial Institutions (the “DFI”); and (3) the deposits of the Bank will continue to be insured by the Federal Deposit Insurance Corporation (the “FDIC”) to the fullest extent provided by law. For more information on regulation of the financial holding company, please see the section of this proxy statement/prospectus captioned “*INFORMATION ABOUT THE HOLDING COMPANY – Additional Supervision and Regulation*” beginning on page 26.

What other approvals are required?

We cannot complete the Reorganization unless it is approved by the Federal Reserve and DFI. An application is in the process of being filed with the Federal Reserve, and it is anticipated that the

Reorganization will be approved by the Federal Reserve, subject to shareholder approval, by March 15, 2020, and upon receipt of the necessary approvals, both boards will apply for approval of the DFI. If the DFI approves the Reorganization, the DFI will issue a certificate of reorganization to the Bank, and upon the issuance of a certificate of reorganization by the DFI, or on such later date as shall be provided for in the plan of reorganization, the shares of Commencement Bank will be deemed to be exchanged in accordance with the plan of reorganization, subject to the rights of dissenters. Although we do not know of any reason why we would be unable to obtain the remaining regulatory approvals in a timely manner, we cannot be certain that we will obtain them, or when we will obtain them.

Will the directors of Commencement Bancorp be the same as the directors of Commencement Bank?

Yes. The directors of Commencement Bancorp will stand for election by the shareholders annually, the same as the directors of Commencement Bank have done in the past.

Will there continue to be an annual shareholders' meeting?

Yes. However, if the Reorganization is completed, Commencement Bancorp will conduct the meeting. Shareholders of Commencement Bancorp will elect the directors of Commencement Bancorp, and Commencement Bancorp will elect the directors of the Bank. Commencement Bancorp currently plans to hold annual shareholder's meetings in substantially the same fashion that the Bank has held such meetings historically.

Who can I contact for more information?

For more information regarding the proposed Reorganization, call or write to:

Commencement Bancorp, Inc.
Attention: John E. Manolides, President and CEO
1102 Commerce Street
Tacoma, WA 98402
(253) 284-1800

THE REORGANIZATION

General

The following steps have already occurred in connection with the Reorganization:

1. Commencement Bancorp has been incorporated as a Washington business corporation for the purpose of acquiring all of the Bank's common stock and becoming a financial holding company.
2. The boards of directors of both the Bank and Commencement Bancorp have adopted and approved the Reorganization Plan.
3. Commencement Bancorp has filed an application with the Federal Reserve Bank of San Francisco to become a financial holding company by acquiring 100 percent of Commencement Bank, in connection with the Reorganization pursuant to Section 3(a)(1) of the Bank Holding Company Act and Section 225.15 of Regulation Y. It is anticipated that approval of the application by the Federal Reserve will be received prior to March 15, 2020.

Among other things, in order to complete the Reorganization, the shareholders of the Bank must approve the Reorganization of the Bank on the terms set forth in the Reorganization Plan attached hereto as Exhibit A by the affirmative vote of two-thirds (2/3) of the outstanding shares of Bank stock, and the Bank and Commencement Bancorp must have received all required regulatory approvals (see "*Conditions to Completion of the Reorganization*", beginning on page 11).

Structure

If the Reorganization is approved by the Bank's shareholders, then, upon receipt of the shareholders' approval and the approval of the primary regulators, Commencement Bancorp will acquire all of the outstanding stock of the Bank as follows:

1. Commencement Bancorp will file Articles of Share Exchange (including the Reorganization Plan) with the DFI.
2. Upon completion of the Reorganization, all of the outstanding shares of Bank common stock (except those to which dissenters' rights were properly exercised), will be automatically converted into an equal number of shares of Commencement Bancorp common stock.
3. Commencement Bancorp will convert existing stock options and restricted stock grants issued by the Bank to stock options and restricted stock grants of Commencement Bancorp common stock on a one-for-one basis. This conversion will take place automatically. All of the Equity Plans of Commencement Bank will be transferred to and assumed by Commencement Bancorp.
4. Commencement Bancorp will own all of the issued and outstanding shares of common stock of the Bank, which will, thereafter, be a wholly owned subsidiary of Commencement Bancorp.

Reasons for the Reorganization

The Board recommends that shareholders vote FOR the Reorganization because the Board believes that a financial holding company structure will provide benefits to the shareholders and to its community by providing opportunities to the Bank to compete more effectively and to expand its services in type, in number, and in scope.

Meeting Capital Needs

Historically, banks have met their capital needs by selling shares of common stock and retaining earnings to increase their capital. If the Bank elects to increase its capital by selling shares, it results in a dilution of ownership by existing shareholders. If the Bank relies solely on retained earnings to grow, growth prospect can take a significant period of time. Because the Bank has consistently generated operating revenue, there are other options available for the Bank to increase its capital for branch or bank acquisitions, the acquisition of other assets, or repurchasing stock to support shareholder liquidity. Management and the Board determined that the most attractive option for the Bank was to form a financial holding company which could borrow money, pledge the Bank stock as collateral, and use the borrowed funds to acquire other branches or other banks. The Bank would also be able to downstream the borrowed money to the Bank to increase the Bank's legal lending limit, which would allow the Bank to grow more quickly. The holding company will have an obligation to repay the debt and anticipates that it could do so by upstreaming dividends from the Bank to the financial holding company. In this situation, the most attractive option, and the one opted for by most successful banks that need additional capital, is to not sell common stock and instead convert from a bank structure to a financial holding company structure. The legal limitations on the incurrence of debt by financial holding companies are much less restrictive and there would be no regulatory restrictions on Commencement Bancorp's ability to incur debt and pledge its assets (the Bank stock) to secure that debt. The Bank anticipates that if the Reorganization is approved, Commencement Bancorp will be able to borrow sufficient funds to address its capital needs without diluting the ownership of current shareholders.

Flexibility

The Reorganization will, in the opinion of the Board, better prepare the organization for responding flexibly and efficiently to future changes in the laws and regulations governing banks and bank-related activities. Opportunities may arise for financial holding companies that are not available to banks. The financial holding company structure may prove valuable in taking advantage of any new opportunities in banking and bank-related fields that are made available by deregulation or otherwise.

Diversification

The financial holding company structure offers the ability to diversify the business of Commencement Bancorp by creating or acquiring entities engaged in bank-related activities. Diversification into bank-related activities is governed by the BHCA and regulations of the Federal Reserve. However, the timing and extent of those activities will depend on many factors, including competitive and financial conditions existing in the future as well as the then financial condition of Commencement Bancorp and the Bank.

Recommendation of the Board

The Board unanimously recommends that holders of Bank common stock vote “for” the Reorganization.

Conditions to Completion of the Reorganization

The Reorganization Plan – Exhibit A to this proxy statement/prospectus – provides that the completion of the Reorganization is subject to certain conditions that have not yet been met, including, but not limited to the following:

1. The Reorganization must be approved by the holders of at least two-thirds (2/3) of the outstanding shares of Bank common stock.
2. The Federal Reserve and the DFI must grant all required approvals for the completion of the Reorganization.
3. Commencement Bancorp and the Bank must make all appropriate filings, including the filing of Articles of Share Exchange.
4. Commencement Bancorp and the Bank must receive an opinion from counsel to the effect that the Reorganization will be a tax-free transaction for federal income tax purposes for Commencement Bancorp, the Bank, and the Bank shareholders.
5. There must not be any action, suit, proceeding, or claim, either commenced or threatened, that could make completion of the Reorganization inadvisable.
6. Commencement Bancorp and the Bank must procure any other consents and approvals and must take any other actions and satisfy all other requirements, prescribed by law or otherwise, necessary for consummation of the Reorganization.

These conditions are for the sole benefit of Commencement Bancorp and the Bank, and may be asserted by them or may be waived or extended by them, in whole or in part, at any time or from time to time. Any determination by Commencement Bancorp and the Bank concerning the events described above will be final and binding.

We expect that the conditions to the Reorganization will be satisfied. The waiver of any condition or conditions not satisfied will be approved only if, in the opinion of the boards of directors of Commencement Bancorp and the Bank, the action would not have a material adverse effect on the benefits intended for holders of Commencement Bancorp stock under the Reorganization. The Reorganization may be terminated and abandoned by the boards of directors of Commencement Bancorp and the Bank at any time prior to the Effective Date.

Operation of the Bank Following the Reorganization

We plan to conduct the business of the Bank following the Reorganization substantially unchanged from the manner in which it is now being conducted. Among other things:

- The Bank's name will not change.
- The Bank's office location, hours of operation, and products and services offered will not be affected by the Reorganization.
- The Bank will have the same management; no changes in the Bank's officers, directors or personnel will occur as a result of the Reorganization.

- The Bank will continue to be subject to regulation and supervision, including examination, by the FRB and DFI, to the same extent as currently applicable.
- The Bank will continue to prepare and file periodic Call Reports through FFIEC Central Data Repository.

Interest of Directors and Executive Officers in the Reorganization

The Bank's executive officers and directors who are also shareholders will participate in the Reorganization in the same manner and to the same extent as all of the other shareholders of the Bank. All the Bank's officers and directors will continue as officers and directors, as well as shareholders of common stock of Commencement Bancorp if the Reorganization is approved.

Effective Date

We anticipate that the closing of the Reorganization will take place no later than ten (10) days after all conditions have been met and all approvals, consents and authorizations for the valid and lawful completion of the Reorganization have been obtained. The Reorganization Agreement and Plan of Share Exchange shall become effective upon the filing of the Articles of Share Exchange with the Washington State Department of Financial Institutions (the "Effective Date").

Termination or Abandonment

The Reorganization Plan may be terminated by the unilateral action of either of the boards of directors of the Bank or Commencement Bancorp if:

- The number of shares of the Bank common stock that voted against approval of the Reorganization or that have sought dissenters' rights is great enough that completion of the Reorganization is unlikely or inadvisable;
- Any action, suit, proceeding, or claim is commenced or threatened that could make completion of the Reorganization inadvisable;
- It is likely that a regulatory approval will not be obtained, or if obtained, has or will contain or impose a condition or requirement that would materially and adversely affect the operations or business prospects of Commencement Bancorp or the Bank following the effective date so as to render inadvisable the completion of the Reorganization; or
- Any other reason exists that makes completion of the share exchange inadvisable in the sole and exclusive judgment of the respective boards of directors.

Exchange of Shares; Share Certificates

On the Effective Date, the Bank's shareholders' right, title and interest in and to the shares of the Bank common stock, without any action on their part, will automatically be converted into solely the right to receive an equal number of shares of Commencement Bancorp common stock.

Expenses of Reorganization

All expenses incurred by Commencement Bancorp and the Bank in connection with or related to the authorization, preparation and execution of the Reorganization, the solicitation of shareholder approvals

and all other matters related to the closing of the transaction contemplated therein will initially be paid by the Bank. Commencement Bancorp will reimburse the Bank for its share of such expenses upon consummation of the transaction. Expenses are expected not to exceed \$60,000.

RISK FACTORS

An investment in a financial institution, such as the Bank, involves significant risks. These risks derive primarily from the financial institutions industry, the nature of the way financial institutions operate, and the national economy, generally, and, more specifically, from the Bank's operations, financial condition, local economy, competition and similar factors. Because, initially following the Reorganization, the Bank will be Commencement Bancorp's sole asset and represent Commencement Bancorp's only operations and its sole source of income and profits, we believe that all of the risks of an investment directly in the Bank, will continue to apply in all material respects to an investment in Commencement Bancorp.

The following Risk Factors section summarizes what we believe are material risks related to and following the Reorganization, and derive primarily from the future organizational structure of Commencement Bancorp operating with the Bank as its subsidiary, as well as factors that result from differences in our governance structure and your rights as a shareholder that we have either been required or have chosen to implement in connection with the Reorganization.

The order in which the Risk Factors are discussed in this section is not intended to indicate their relative importance.

Our future success is based in large part on the accuracy of our assumptions about and inherent in our business, marketing and growth strategies for the Bank, as well as our ability to identify and implement strategies to address risks.

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AS WELL AS ALL OF THE OTHER INFORMATION IN THIS PROXY STATEMENT/PROSPECTUS BEFORE DECIDING HOW TO VOTE YOUR SHARES.

Commencement Bancorp may issue additional shares of common stock without shareholder approval that could result in dilution of an investor's investment.

The board of directors of Commencement Bancorp may determine, from time to time, that there is a need to obtain additional capital through the issuance of additional shares of common stock or other securities. Although the Bank's Board is currently able to authorize the issuance of additional shares of common stock without shareholder approval, the number of additional shares the Board may approve for issuance is limited to the 12,100,000 shares of common stock currently authorized by the Bank's Articles of Incorporation. In contrast, Commencement Bancorp's Articles of Incorporation authorize the issuance of up to 50,000,000 shares of Commencement Bancorp common stock. This issuance would likely dilute the ownership interests of Commencement Bancorp investors and may dilute the per share book value of Commencement Bancorp's common stock.

Commencement Bancorp's board of directors will have the authority to set the terms of and issue preferred stock without shareholder approval, which could dilute your ownership interest in Commencement Bancorp, and which would likely have superior rights over the common stock of Commencement Bancorp as to dividends and liquidation preference.

The Bank's Articles of Incorporation do not permit the issuance of preferred stock, and shares of preferred stock could not be issued without prior shareholder approval. In contrast, Commencement

Bancorp's Articles of Incorporation authorize the issuance of up to 100,000 shares of preferred stock and give the board of directors the authority to decide what the terms (such as dividend rate, liquidation preference, redemption features and the like) of the shares of any series of preferred stock will be and how many shares to issue. There is no such issuance planned. However, any such issuance may dilute the ownership interests of Commencement Bancorp investors and may dilute the per share book value of Commencement Bancorp's common stock.

Commencement Bancorp has the ability to incur debt and pledge its assets, including its stock in the Bank, to secure that debt.

While the Bank can incur debt, its ability to do so is limited and, significantly, it is not legally permitted to pledge its assets to secure its indebtedness except in very limited circumstances. In contrast, the legal limitations on the incurrence of debt by financial holding companies are much less restrictive and there are no regulatory restrictions on Commencement Bancorp's ability to incur debt and pledge its assets to secure that debt. Absent special and unusual circumstances, a holder of indebtedness for borrowed money has rights that are superior to those of holders of common and preferred stock – interest must be paid to the lender before dividends can be paid to the shareholders, and loans must be paid off before any assets can be distributed to shareholders if Commencement Bancorp were to liquidate. Furthermore, Commencement Bancorp would have to service (make principal and interest payments) its indebtedness which could reduce the profitability of or result in net losses at Commencement Bancorp on a consolidated basis even if the Bank were profitable. See *“THE REORGANIZATION – Reasons for the Reorganization – Meeting Capital Needs”* beginning on page 10.

Commencement Bancorp will be subject to regulation which will increase the cost and expense of regulatory compliance and will therefore reduce Commencement Bancorp's net income and may restrict its ability to engage in certain activities.

As a financial holding company under federal law, Commencement Bancorp will be subject to regulation under the BHCA and the examination and reporting requirements of the Federal Reserve. In addition to supervising and examining Commencement Bancorp, the Federal Reserve, through its adoption of regulations implementing the BHCA, places certain restrictions on the activities that are deemed permissible for financial holding companies to engage in. Changes in the number or scope of permissible activities could have an adverse effect on Commencement Bancorp's ability to realize its strategic goals.

Commencement Bancorp may be required to contribute capital or assets to the Bank that could otherwise be invested or deployed more profitably elsewhere.

Federal law and regulatory policy impose a number of obligations on financial holding companies that are designed to reduce potential loss exposure to the depositors of insured depository subsidiaries and to the FDIC's insurance fund. For example, a financial holding company is required to serve as a source of financial strength to its insured depository subsidiaries and to commit financial resources to support such institutions where it might not do so otherwise. The Federal Reserve has the ability to require Commencement Bancorp to contribute capital to the Bank, even if Commencement Bancorp would not ordinarily do so and even if such contribution is to the detriment of Commencement Bancorp or its shareholders.

Applicable laws and regulations restrict both the ability of the Bank to pay dividends to Commencement Bancorp, and the ability of Commencement Bancorp to pay dividends to you.

For the foreseeable future, the majority, if not all, of Commencement Bancorp's revenue will be from dividends paid to Commencement Bancorp by the Bank. Both Commencement Bancorp and the Bank

are limited by laws and regulations as to the amount of dividends they can pay. In addition, Commencement Bancorp and the Bank are subject to various regulatory restrictions relating to the payment of dividends, including requirements to maintain capital at or above regulatory minimums, and to remain “well-capitalized” under the prompt corrective action regulations of the FDIC. Federal banking regulators have indicated that banking organizations should generally pay dividends only if (1) the organization’s net income available to holders of common stock over the past year has been sufficient to fully fund the dividends and (2) the prospective rate of earnings retention appears consistent with the organization’s capital needs, asset quality and overall financial condition.

We may not be able to implement effectively the strategies that underlie our reasons for forming a financial holding company.

As discussed under “*THE REORGANIZATION – Reasons for the Reorganization*” beginning on page 10, we believe that the holding company structure will provide us with better opportunities to meet our capital needs and expand our business and markets through acquisitions; however, we cannot assure you that we will be able to do any of these things to the full extent we will be legally able to, on favorable terms or at all. If we are unable to implement our future strategies that we believe are enhanced by the holding company structure, the cost, effort and expense of the Reorganization could be greater than the benefits realized by the Reorganization, and the increased costs of operating in the future under the holding company structure could affect our business and profitability.

We cannot assure you that the Reorganization into a financial holding company structure will enable us to compete more effectively or operate more profitably than as a stand-alone bank.

Although we believe that our reasons for the Reorganization and the enhanced opportunities we will have under the holding company structure will strengthen our overall organization and improve long-term operating results and profits, we cannot assure you that this will happen. Among other things, we may not be accurately predicting or fully appreciating the effects of these enhanced opportunities and any difficulties we might face in implementing our strategies. Our strategies and expectations for future opportunities under the holding company structure could also be negatively impacted, or even outweighed, by external factors either within or outside of our control. We cannot assure you that we will be more (or even as) profitable or stronger (or even as strong) financially under the holding company structure than we could have been if the Reorganization had not occurred and the Bank continued to operate under its historical stand-alone structure.

INFORMATION ABOUT THE BANK

Generally

Commencement Bank was approved as a state chartered bank on October 27, 2006, and commenced operations on December 11, 2006. From the beginning, the Bank’s goals have been to (i) provide a banking environment with individualized client service, (ii) have a more skilled staff than its competitors, (iii) provide high quality flexible products, and (iv) respond promptly to customer requests. The Bank primarily serves small to middle-market companies, professionals and individuals in the Pierce, King, and Thurston County market areas.

At December 31, 2019, the Bank had total assets of \$388,384,000, deposits of \$334,369,000, and shareholders’ equity of \$47,696,000. At December 31, 2018, the Bank had total assets of \$357,471,000, deposits of \$311,869,000, and shareholders’ equity of \$42,461,000.

Employees

As of December 31, 2019, the Bank had 54 full time equivalent employees. None of the Bank's employees are the subject of collective bargaining agreements. The Bank provides its employees a comprehensive program of benefits including: medical, dental, life and disability insurance, and a 401k retirement plan. These benefits are typically offered within the banking industry and are comparable with the types of plans other area banks provide their employees.

Properties

The Bank currently operates four offices:

- In Pierce County – The Bank's headquarters, which is also a full-service branch, located in Tacoma, Washington;
- In King County – a full-service branch in Enumclaw, Washington;
- In King County – a full-service branch in Auburn, Washington; and
- In Thurston County – a full-service branch in Olympia, Washington.

The population of these counties is:

- | | |
|-------------------|-----------|
| • Pierce County | 876,764 |
| • King County | 2,233,163 |
| • Thurston County | 280,588 |

The Bank owns its Auburn and Enumclaw branch offices, and leases its Olympia and headquarters offices. Its principal website is www.commencementbank.com.

Business and Marketing Strategy

The Bank's business and marketing strategy is to expand its footprint by emphasizing its high quality client service and primarily focusing on the financial needs of small to medium-sized businesses, professionals and individuals in its market areas.

The Bank intends to pursue a growth strategy, the key components of which include, but may not be limited to:

- increasing market share in existing markets by promoting the Bank's local independence and personalized responsiveness, as an alternative to the existing large regional and national banks operating in the Bank's service area;
- employing and retaining highly experienced, motivated employees at all levels of the organization to ensure that the business objectives of the Bank are achieved with the highest standards of performance and profitability; and
- establishing loan production offices in areas it believes will be receptive to its kind of individualized client service, and converting those loan production offices to full-service branches when management and the Board deems it appropriate to do so.
- The Bank's management believes the Bank can continue to gain market share in Pierce, King, and Thurston counties by continuing to follow and expand on these key components.

The Bank believes that the banking services provided to its target customers in Pierce, King, and Thurston counties has become less personalized as regional and national banks have become larger and less service oriented. To increase efficiency, the focus of the larger institutions has been to concentrate decision-making in large corporate service centers. To compete with these institutions and their approach to banking, the Bank focuses on providing exceptional personalized service with rapid and discreet responses through

decision-making authority within the Bank. The Bank's management believes these factors are crucial to the ongoing success of the Bank.

The Bank's management believes that an integral part of its growth and success is dependent on a team of employees that is highly experienced, motivated, personable and professional. The organization's employees have been carefully selected and recruited based upon their years of banking experience, business development skills, knowledge and integrity. The Bank specifically recruits individuals who are highly motivated and well-regarded within their communities, and within the banking industry as a whole. It is the Bank's philosophy that personnel who possess these attributes as well as strong community ties will result in lower-than-average turnover while maximizing the Bank's objectives to furnish outstanding client service. In order to attract, recruit, and retain this caliber of experienced professionals, the Bank's management has in place a comprehensive compensation package. Salaries are at rates that are appropriate for skilled individuals within the financial industry.

Growth and Operating Strategies

While the Bank's growth strategy is focused on organic growth and the development of business client relationships from its current locations, the Bank consistently seeks to identify key personnel located regionally at other financial institutions where the Bank may consider establishing a loan production office. If a loan production office is established, the lending activity is consistently monitored to determine if a full-service branch is appropriate for that location.

Organic Growth. The Bank believes that its largest source of organic growth is through its ongoing business development efforts conducted by its management team and relationship officers. The Bank also believes that economic expansion in its market areas will continue to contribute to organic growth.

The Bank's goal is to continue its expansion by organic growth and through acquisition while maintaining a profitable, client-focused business banking financial institution. The Bank believes that its existing structure, management, data and operational systems are sufficient to achieve further organic growth in asset size, revenues and capital without proportionate increases in operating costs. The Bank's operating strategy has always been to provide high quality business banking services to clients and increase market share through active solicitation of new business, repeat business and referrals from clients.

The Bank believes its clients seek a banking relationship with a service-oriented business banking organization. The Bank's operational systems have been designed to facilitate personalized service. The Bank believes that its banking locations have an atmosphere which facilitates personalized services and decision-making while offering a broad array of products to meet clients' needs. Though the Bank's primary emphasis is on client service and relationship officers' experience, the Bank intends to continue organic growth and attracting clients by focusing on the following:

Products Offered – The Bank offers a full range of commercial and consumer banking products and services, including the following: checking accounts, checking accounts with interest, savings accounts, money market accounts, certificates of deposit, IRA accounts, NOW accounts, debit cards, a full suite of online banking products, and traditional cash management products. The Bank also offers installment loans and other secured and unsecured loans.

- *Operational Efficiencies* – The Bank seeks to maximize operational and support efficiencies consistent with maintaining high quality client service.
- *Marketing Activities* – The Bank focuses on an active solicitation program for new business and identifying and developing products and services that allow it to effectively compete for small to middle-market business accounts. The Bank believes that active community involvement contributes to its long-term success.

Competition

The Bank faces strong competition, both in attracting deposits and in originating loans, from other commercial banks, savings and loan associations, mutual savings banks and credit unions. Many of these competing financial institutions have substantially greater financial resources than the Bank. The Bank's management feels this competition is valuable in that it provides an ever-present need for the Bank to provide not only outstanding client service and products, but also consistently excel in doing so in order to secure, retain and continuously grow its market share. While the Bank's financial resources are not as great as some of its competitors, this competition encourages the Bank to design innovative marketing strategies that best utilize limited advertising funds and other marketing resources.

Loans

The Bank offers a variety of loans to meet the credit needs of the communities it serves. The Bank offers and encourages applications for a variety of secured and unsecured loans to help meet the needs of its clients. The Bank provides a broad range of commercial lending services. The Bank follows a uniform credit policy which contains underwriting and loan administration criteria, levels of loan commitment, loan types, credit criteria, concentration limits, loan administration, loan review and grading and related matters. At December 31, 2019, substantially all loans outstanding were to clients within our market areas.

While specific credit programs may vary from time to time, based on the Bank's policies and market conditions, every effort is made to encourage applications for the following credit services throughout the communities served by the Bank.

Commercial Loans. These loans consist primarily of loans to businesses for various purposes, including revolving lines of credit and equipment financing. These loans may be secured by collateral other than real estate, such as inventory, accounts receivable, machinery, government guarantees, or other commercial assets, and they generally mature within one (1) to five (5) years and have fixed or adjustable interest rates. Revolving lines of credit are generally for business purposes, mature annually and have adjustable interest rates. The primary repayment risk of commercial loans is the failure of the borrower's business due to economic or financial factors.

Real Estate Loans. These loans primarily include various types of commercial loans for which the Bank holds real property as collateral. Interest rates on these loans may be fixed for a period or tied to a floating rate index. Real estate construction loans are primarily made for commercial properties. Terms may vary depending upon many factors, including location, type of project and financial condition of the borrower. The primary risks of real estate secured loans include the borrower's inability to pay and deterioration in value of the real estate that is held as collateral.

Small Business Administration (SBA) Loans. The Bank is an active participant in the SBA 7(a) loan program, which is the SBA's primary program for helping start-up and existing small businesses, with financing guaranteed for a variety of general business purposes. The SBA does not make commercial loans, but rather guarantees loans made by participating lending institutions. These loans are generally 75% guaranteed by the SBA. After closing an SBA loan, the Bank has the option to sell the guaranteed portion of the loan for a premium but retains servicing of the entire loan. If the Bank elects to sell the guaranteed portion, the Bank would receive interest on the unguaranteed portion of the loan and a servicing fee for the sold portion of the loan. To date, the Bank has elected to retain all SBA loans made.

Consumer Loans. While not a primary focus of the Bank, consumer loans are available, including personal loans, home equity loans, open-end credit lines, both secured and unsecured, and overdraft protection credit lines.

Loan Administration

The Bank's board of directors has approved specific lending policies for the Bank and is responsible for implementation of the policies. The lending policies and procedures include guidelines for loan term,

loan-to-value ratios, collateral appraisals and interest rates. The loan policies also vest varying levels of loan authority in management, the Bank's loan committee and its board of directors. The Bank's management monitors lending activities through regular loan committee meetings, monthly reporting and periodic review of loans.

Interest rates charged on loans vary with the financial condition of the borrower, degree of risk, maturity, costs of underwriting and servicing, loan amount, and extent of other banking relationships maintained with clients, and is further subject to competitive pressures, availability of funds and government regulations.

All loan applications are processed and approved by a loan officer up to the loan officer's credit limit and in accordance with the Bank's guidelines and underwriting policies. Credit limits generally vary according to the type of loan and the individual loan officer's experience. Loan applications over the respective loan officer's lending limits must be approved by the Bank's management loan committee or board of director loan committee, when appropriate. Under applicable federal and state law, the Bank's permissible loans to one borrower are also limited. The Bank utilizes internal limits that may be less than or equal to the prevailing legal limits.

Lending Activities

The Bank aggressively seeks high quality lending relationships. It believes in sound credit analysis, loan documentation and seeks to avoid concentration of loans to a single industry or business sector or in a single class of collateral, such as real estate. The Bank also may participate in loans originated by other banks that have similar lending criteria. The Bank's loan portfolio consists primarily of commercial loans and commercial real estate loans. As of December 31, 2019, and December 31, 2018, the Bank had total loans outstanding of \$297,699,000 and \$268,132,000, which equaled approximately 89% and 86% of the Bank's total deposits and approximately 77% and 75% of its total assets, respectively. As of January 31, 2020, the Bank had total loans outstanding of \$299,801,000, which equaled approximately 92% of the Bank's total deposits and approximately 79% of its total assets.

Nonperforming Assets

The Bank's loans are primarily to clients within the Pierce, King, and Thurston County areas. Credit risk on loans is managed through limits on amounts loaned to individual borrowers, underwriting standards and loan monitoring procedures. To minimize risk, the Bank does not extend credit to a single borrower or group of borrowers in excess of applicable regulatory limits. Collateral for loans varies, but may include real estate, equipment, accounts receivable, inventory and securities. The Bank's interest in collateral is secured through filing mortgages and liens, and in some cases, by possession of the collateral.

Loans are placed on nonaccrual status when they are over 90 days past due, or sooner if trouble is recognized, unless the loan is adequately collateralized and is in the process of collection. No interest is taken into income unless received in cash or until such time as the borrower demonstrates an ability to resume payments of principal and interest. Interest previously accrued but not collected is reversed and charged against income at the time the loan is placed on nonaccrual status. As of December 31, 2019, the Bank had approximately \$2,648,000 in loans that were in nonaccrual status and \$0 outstanding as of December 31, 2018. These loans represented approximately 0.9% of the Bank's total loans as of December 31, 2019. As of January 31, 2020, the Bank had approximately \$2,648,000 in loans that were in nonaccrual status. These loans represented approximately 0.9% of the Bank's total loans. The Bank does not own any real estate acquired due to default by borrower.

Investment Activities

The board of directors reviews and approves the Bank's investment policy annually. The Asset and Liability Committee is responsible for establishing policies for conducting investment activities and the establishment of risk limits. The board of directors reviews gains and losses on investment transactions and monitors the composition and performance of the investment portfolio on a quarterly basis. The overall

objectives of the investment policy are to maintain a portfolio of high quality and diversified investments to maximize the long term, total return of the portfolio given liquidity and interest rate risk considerations.

The Bank's current investment policy permits investments in securities issued by the United States Government and federal government agencies and government sponsored enterprises; municipal and revenue bonds; mortgage backed securities issued by federal government agencies, government sponsored enterprises, and private issuers; investment grade corporate bonds; and federal funds sold. The investment policy also permits, with certain limitations, investments in certificates of deposit and equities (limited to FHLB and correspondent banks).

The Bank's investment policy expressly prohibits the use of its investment portfolio for market-oriented trading activities or speculative purposes. Repositioning of securities in the portfolio may take place to complement the overall investment and/or interest rate sensitivity objectives of the Bank.

At the time of purchase, the Bank designates a security as either held-to-maturity or available-for-sale based upon its ability and intent. Securities available-for-sale are reported at fair market value and securities held-to-maturity are reported at amortized cost. The Bank does not maintain a trading portfolio. A periodic review and evaluation of the available-for-sale and held-to-maturity securities portfolios is conducted to determine if the fair value of any security has declined below its carrying value and whether such decline is other-than-temporary. For securities classified as available-for-sale, unrealized gains and losses are excluded from earnings and reported as an increase or decrease to earnings through other comprehensive income/(loss). If such decline is deemed to be other-than-temporary, the security is written down to a new cost basis and the resulting loss is charged against earnings.

The Bank's securities portfolio consisted of a mix of fixed and floating securities with fair values totaling \$14,731,000 at December 31, 2019 and \$15,005,000 at December 31, 2018. The Bank's securities portfolio consisted of a mix of fixed and floating securities with fair values totaling \$14,432,000 at January 31, 2020.

Deposits and Other Sources of Funds

The Bank's primary sources of funds are client deposits, other borrowings, repayments on loans and investment securities. Loan and investment security repayments are a relatively stable source of funds, while deposit flows and mortgage related investment security prepayments are significantly influenced by general interest rates and money market conditions.

The Bank strives to maintain a high percentage of noninterest-bearing deposits, which are low cost funds and result in higher interest margins. At December 31, 2019, the Bank's ratio of noninterest-bearing deposits to total deposits was 29% compared to 29% and 33% at December 31, 2018 and 2017, respectively. At January 31, 2020, the Bank's ratio of noninterest-bearing deposits to total deposits was 28%.

The Bank offers a variety of interest-bearing accounts designed to attract both short-term and long-term deposits from its clients. These accounts include interest-bearing demand, negotiable order of withdrawal ("NOW") accounts, money market deposit accounts, savings accounts and time certificate of deposit. Interest-bearing accounts can earn interest at rates established by the Bank management based on competitive market factors and the desire to increase or decrease certain types of maturities of deposits consistent with its Asset/Liability Management Policy.

The Bank has a borrowing arrangement with the Federal Home Loan Bank under which advances are secured by portions of the Bank's loan portfolio. The Bank's credit limit varies according to its total assets and the amount and composition of the loan portfolio pledged as collateral. At December 31, 2019, amounts pledged and the net available borrowing capacity under such limits were approximately \$143,417,000 and \$98,317,000, respectively. At January 31, 2020, amounts pledged and the net available borrowing capacity under such limits were approximately \$143,417,000 and \$98,317,000, respectively.

Experienced Senior Management

JOHN E. MANOLIDES

See *Community-Oriented Board of Directors* below.

THOMAS L. DHAMERS

Mr. Dhamers, age 56, is the Chief Financial Officer (CFO) of Commencement Bank. Mr. Dhamers has acquired 20 years of banking experience having been the CFO for Thurston First Bank prior to the 2016 merger with Commencement. Mr. Dhamers was raised in Illinois and graduated from Illinois State University in 1985 with a B.S. in Accounting. After graduating, Mr. Dhamers relocated to Chicago and performed accounting for the construction firm that built the Sears Tower. In 1987, he relocated to Washington State where he raised three native Washingtonians. Experiences prior to his current role include: cost accounting in the manufacturing environment, work in the healthcare department of a large regional hospital, CFO of a rural hospital, and public service for the State of Washington, including trust accounting for the state's retirement systems. In 1994, Mr. Dhamers expanded his business qualifications and received an MBA from St. Martin's University. Mr. Dhamers has participated in many fund-raising activities and currently serves on the Greater Tacoma Community Foundation's Audit Committee.

MARY ANN HARSHMAN

Mary Ann Harshman, age 64, is a native of Tacoma, Washington. Ms. Harshman has over 40 years of experience in the financial industry. Currently, she is the Chief Retail Banking Services Officer for Commencement Bank. She is responsible for branch and retail operations, community reinvestment act and loan compliance. She is one of the original members that started Commencement Bank in December 2006. Prior to this, she was an SVP and Manager of the Cash Management Department for a local, regional bank. She began her banking career in 1974 and has remained in the financial industry ever since, including earning her Series 6 and 63 licenses. Ms. Harshman is active in the community as well as in professional associations. She has been a past speaker at the National Association for Financial Professionals as well as the NACHA National Payments Conference. She has been on the board for a software user group for 13 years and was the chair of that board for nine years. She was formerly on the board for a local non-profit, Courage 360 (formerly WWEE) for eight years, and serves as the Bank's Team Leader for the American Heart Association's annual Heart Walk. In addition, she participates in many community sponsored events, including the Relay for Life, March of Dimes and Go Red for Women.

Community-Oriented Board of Directors

Our management team operates under the direction of our Board. Substantially all of our directors are well known in our primary service area through business and community involvement. These directors are dedicated to our success and play an important part in marketing us in the community.

STEPHEN J. BEAN

Director Since 2016

Mr. Bean, age 79, has been an attorney in private practice since 1965, and is the senior partner of Bean Gentry Wheeler & Peternell, PLLC, the largest law firm in Thurston County. His practice emphasizes the representation of the business community and the professional community. He is an active fundraiser for the community, having served as auctioneer for South Puget Sound Community College, Olympia Downtown Rotary Club, Behavioral Health Resources, the Boys and Girls Club of Olympia, Olympia Symphony Orchestra, Washington Center for the Performing Arts, the Fred Hutchinson Cancer Guild and the Junior League of Olympia among others and has helped raise over one million dollars for these

organizations to date. He has served as President of the Thurston County Bar Association, Patrons of South Sound Cultural Arts, the Rotary Club of Olympia, and served as a board member for the Washington Center for the Performing Arts. Additionally, he has earned the Thurston County Bar Association's Daniel Bigelow Award, the highest honor among Thurston County attorneys, and the Rotary Club's highest honor for "Service Above Self." Steve has also been selected by his peers as a "Super Lawyer" for many years. Steve and his partner, Fred Gentry, were the first attorneys from Olympia to be so honored.

CHARLES F. DIESING

Director Since 2006

Mr. Diesing, a founding director, age 79, has been in the real estate business for more than 40 years. From 1970 to the present, he has acquired over 100 single-family residences, over 2,000 apartment units and various other pieces of real estate. Over the past few years, he has liquidated a significant percentage of the residential portfolio. Currently, Mr. Diesing is retired and oversees his real estate holdings.

CHERYL L. DURYEA

Director Since 2016

Ms. Duryea, age 72, has been practicing law since 1978, primarily in the area of business, finance and state regulatory matters. She has held a variety of upper management positions in state government, including Assistant Director of Licensing in charge of regulating securities, real estate, and professional licensing. She has served as a member of the governor's Securities Advisory Board and is a member of the advisory board to the Department of Financial Institutions. In addition to her law practice, through 2010 Ms. Duryea was the owner of two women's clothing boutiques – Juicy Fruits in Olympia and Willow at University Village in Seattle. She has a BA and MSW (community organization) from the University of Michigan and a law degree from Seattle University. She has been a "Big Sister" and has served on the boards of the YMCA, the EDC, Olympia Symphony, Patrons of South Sound Cultural Arts, Washington Center for the Performing Arts, The Mayday Foundation, and Leadership Thurston County and has been active in a variety of organizations to promote gender and racial equity.

L. ROSE LINCOLN HAMILTON

Director Since 2007

Ms. Lincoln Hamilton, a director since 2007, age 66, has more than 40 years of broad experience in nonprofit management, corporate social responsibility, grant making and development. Ms. Lincoln led The Greater Tacoma Community Foundation as President and CEO from 2004 to 2015. At the Community Foundation, she was responsible for increasing the impact and focus of grant making, while continuing to foster increased philanthropic giving in Pierce County. Ms. Lincoln held the positions of Assistant Vice President of Public Relations and Director of Community Relations at Safeco Corporation. While at Safeco, she focused on developing community relations strategies designed to increase neighborliness in urban communities by increasing neighborhood assets and bringing neighbors together around common interests. Ms. Lincoln previously held the positions of Executive Director for Hood River County United Way and Chief Operations Officer of the Seattle-King County Private Industry Council. Ms. Lincoln is a graduate of the University of Connecticut. She is recently retired from the Community Foundation and remains active in many community organizations. She resides in Port Ludlow.

JOHN E. MANOLIDES

Director Since 2018

Mr. Manolides, age 57, a founding member of Commencement Bank and recently named President and Chief Executive Officer, joined the Bank's Board of Directors in January 2018. Mr. Manolides is a Washington native and attended both the University of Washington and Pacific Coast Banking School. After graduation from the University of Washington in 1987, he began his banking career as an adjuster for Puget Sound National Bank. From there, he worked as a collector, loan buyer, branch manager, and finally as a commercial lender following Key Bank's acquisition of Puget Sound National. In 1997, he

accepted a commercial lending position with Columbia Bank, where he stayed for the next nine years. Prior to being named President and Chief Executive Officer, Mr. Manolides was the Bank's President and Chief Operating Officer from 2018 through 2019, and served as Executive Vice President and Chief Credit Officer since inception in 2006. His past and present community activities include: The Better Business Bureau (current board member; 2017 Chairman), Safe Streets (board member), Community Bankers of Washington (board member), and supporter of numerous local charities.

THOMAS H. NIXON

Director Since 2006

Mr. Nixon, a founding director, age 73, is a consultant to small businesses. For approximately 30 years, he served the banking community in various capacities, including Senior Vice President and District Manager, Key Bank, Tacoma; Branch Manager and Regional Manager, Puget Sound National Bank. He is a graduate of the University of Washington with a degree in Finance and graduated from the Pacific Coast Banking School at the University of Washington. Mr. Nixon also served as an Aviation Officer Candidate in the U.S. Navy Reserve from 1968-1969. In addition to his banking career, his current community involvement consists of the Foundation for Private Enterprise Education, d/b/a Washington Business Week (Past Chairman, Board of Trustees and Company Advisor). His past community involvement includes: Twin Lakes Golf and Country Club (member and past President, Board of Trustees); Franciscan Foundation (member, Board of Trustees); Highline Community College (member and past Chair, Board of Trustees); St. Francis Hospital (member, Board of Trustees); and Seattle Seafair Clowns (member).

DAVID J. OWENS, M.D.

Director Since 2016

Dr. Owens, age 49, is a practicing Gastroenterologist with Gastroenterology Associates in Olympia, WA. He serves as a managing partner for the practice. He currently holds Board Certifications in Internal Medicine and Gastroenterology. Dr. Owens received his M.D. from the University of Washington in 2001. He then went on to complete his graduate doctorate work which included an internship from 2001-2002, followed by a residency in 2002-2004 at the University of Washington. From 2005-2009, he completed his fellowship in Gastroenterology and Advanced Endoscopy at the University of California. He holds degrees in Economics and Chinese from Middlebury College. Dr. Owens supports numerous charitable organizations throughout Thurston County and the surrounding areas.

ROB C. RICE

Director Since 2016

Mr. Rice, age 59, has been developing residential real estate in the Thurston County market for 30 years. He is involved in land acquisition, planning, site development, home construction and real estate sales. He has an ownership position in numerous corporations and LLCs that currently do business within the county. Mr. Rice is involved in many activities in the community including the Olympia Master Builders, Thurston Economic Development Council and Providence St. Peter Foundation (board member). He has served on the board of the Olympia Master Builders since 1999 and on the board of the Thurston Economic Development Council since 2002.

H.R. RUSSELL

Director Since 2006

Mr. Russell, a founding director and Chairman of the Board, age 65, has been a resident of the state of Washington for 47 years. He is a graduate of NW Intermediate Banking School and Pacific Coast Banking School and attended the University of Washington. Mr. Russell began his banking experience in 1977 and has been a branch manager, Senior Vice President and commercial loan team leader, Executive Vice President and loan production manager, and Executive Vice President and Chief Credit Officer until resigning from Tacoma, Washington-based Columbia Bank in 2004. He is also the former President and Chief Executive Officer of Commencement Bank. Mr. Russell is the recipient of the 2014 University of

Washington Tacoma Milgard School of Business Leadership Award which recognizes outstanding business leaders in the South Sound Region. His past and present community activities include: the Pierce County American Red Cross (Board President), Puyallup Kiwanis, Auburn Kiwanis, Boy Scouts of America, Tacoma Rotary #8, the Northwest Financial Associations' Employee Benefit Trust, Tacoma Country and Golf Club Finance Committee, Pediatric Interim Care Center in Kent, Community Bankers of Washington Association (past Chairman), the Impact Investment Committee for the Greater Tacoma Community Foundation, and the Federal Reserve Bank of San Francisco's Twelfth District Community Depository Institution Advisory Council (past board member).

EDWARD A. ZITTEL

Director Since 2006

Mr. Zittel, a founding director, age 70, is a native of Tacoma, Washington. He graduated from the University of Puget Sound and spent the majority of his business career with the CPA firm Knight, Vale and Gregory (1972-2005). During his tenure with the firm, his Federal taxation and business consulting expertise was utilized in working with high net worth individuals and closely held businesses while managing the Tacoma Office. At present, he is the owner and manager of Matman Wrestling Co, Inc. which is a manufacturer and distributor of wrestling team apparel and accessories. His civic and community activities have included: the Chamber of Commerce; the Tacoma Rotary #8; the Tacoma Country and Golf Club (President 2011); the Tacoma Club (President 2000), Tacoma Goodwill Board, and assistance with various charities.

Local Services and Decision Making

We believe our customers enjoy a professional banking environment with local decision-making and personal access to bankers who strive to understand their financial needs. We seek to be identified as a community bank that cares about our customers. In order to accomplish this, our management team intends to continue to hire local bankers who are recognized for their community involvement and successful banking background.

Supervision and Regulation

Following the Reorganization, the Bank will continue to be subject to the same banking laws and regulations, and to supervision, regulation and examination by the FRB and the DFI, as it has been prior to the Reorganization.

Employees

The Bank has 52 full-time and 6 part-time employees.

Legal Proceedings

Neither the Bank nor any of its properties is the subject of any material legal proceedings.

Market for Bank Common Stock

The Bank's common stock is traded on the OTCQX under the ticker symbol CBWA.

INFORMATION ABOUT THE HOLDING COMPANY

Commencement Bancorp was incorporated as Commencement Bancorp, Inc. under the WBCA on January 29, 2020 at the direction of the Bank's Board. Commencement Bancorp was formed to acquire the Bank's common stock and to engage in business as a financial holding company. Copies of Commencement Bancorp's Articles of Incorporation are attached to this proxy statement/prospectus as Exhibit B.

Commencement Bancorp, Inc.

Commencement Bancorp, Inc. (Commencement Bancorp) is currently a non-operating entity. Upon the completion of the Reorganization, the Bank will become a wholly-owned subsidiary of Commencement Bancorp, and each shareholder of the Bank will become a shareholder of Commencement Bancorp with substantially the same proportional ownership interest therein as they presently hold in the Bank.

Immediately after completion of the Reorganization, it is expected that Commencement Bancorp will not engage in any business activity other than to hold all of the stock of the Bank. Commencement Bancorp does not presently have any arrangements or understandings regarding any acquisition or merger opportunities. It is anticipated, however, that Commencement Bancorp may, in the future, pursue other investment opportunities, including possible diversification through acquisitions and mergers, although no such transaction is contemplated at this time.

Properties

Commencement Bancorp is not initially expected to own or lease real or personal property. Instead, it intends to use the premises, equipment and furniture of the Bank without the direct payment of any rental fees to the Bank.

Employees

At the present time, Commencement Bancorp does not intend to employ any persons. Initially, Commencement Bancorp will utilize the services of the management and staff of the Bank from time-to-time and will reimburse the Bank for such services. If Commencement Bancorp acquires other institutions or pursues other lines of business, it may, at such time, hire additional employees.

Management – Directors

All of the current directors of the Bank will serve as directors of Commencement Bancorp until the next Annual Meeting of shareholders. Information about those directors can be found in the section above entitled "*Community-Oriented Board of Directors*".

Management – Executive Officers

The executive officers of Commencement Bancorp are John E. Manolides – President and Chief Executive Officer, and Thomas L. Dhamers – Secretary. Commencement Bancorp's Bylaws permit the appointment of other officers. Shareholders do not have the right to elect officers; rather, all officers are appointed to their respective positions by the board of directors to serve until they resign or are removed by the board.

Compensation of Directors and Executive Officers

Director Compensation

Commencement Bancorp's Bylaws permit its directors to receive reasonable compensation as determined by a resolution of the board of directors. Commencement Bancorp has not paid any directors' fees since its incorporation. Commencement Bancorp may, pursuant to its Bylaws, begin to compensate its directors at some time in the future.

Compensation of Executive Officers

All of the executive officers of Commencement Bancorp are also executive officers of the Bank. These individuals are compensated for their services as officers of the Bank.

Additional Supervision and Regulation

If the Reorganization is completed, as a registered financial holding company, Commencement Bancorp will become subject to regulation and supervision by the Federal Reserve. The following is a summary of federal and state laws and regulations applicable to financial holding companies.

Commencement Bancorp Obligations

Under current law and Federal Reserve policy, a financial holding company is expected to act as a source of financial and managerial strength to its subsidiary bank or banks and to maintain resources adequate to support each subsidiary bank. This support may be required at times when the financial holding company may not have the resources to provide it. In the event of a financial holding company's bankruptcy, any commitment by the financial holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank would be assumed by the Bankruptcy trustee and entitled to priority of payment. Financial holding companies also have minimum capital requirements which must be maintained to stay in regulatory compliance.

Dividend Restrictions

The Federal Reserve's policy regarding dividends is that a financial holding company should not declare or pay a cash dividend which would impose undue pressure on the capital of its bank or would be funded only through borrowing or other arrangements that might adversely affect a financial holding company's financial position. The Federal Reserve believes that a financial holding company should not initiate or continue cash dividends on its common stock unless its net income is sufficient to fully fund each dividend and its prospective rate of earnings retention appears consistent with its capital needs, asset quality and overall financial condition.

Restrictions on Affiliate Transactions

Transactions between Commencement Bancorp, the Bank and any nonbank subsidiaries are subject to a number of restrictions. Federal law, specifically Sections 23A and 23B of the Federal Reserve Act, imposes restrictions and limitations on the Bank from making extensions of credit to, or the issuance of a guarantee or letter of credit on behalf of, Commencement Bancorp or other affiliates, the purchase of, or investment in, stock or other securities thereof, the taking of such securities as collateral for loans, and the purchase of assets of Commencement Bancorp or other affiliates. Such restrictions and limitations prevent Commencement Bancorp or other affiliates from borrowing from the Bank unless the loans are secured by marketable obligations of designated amounts. Furthermore, such secured loans and investments by the Bank to or in Commencement Bancorp or to or in any other non-banking affiliate are limited, individually, to ten percent (10%) of the respective subsidiary bank's capital and surplus, and such secured loans are

limited in the aggregate to twenty percent (20%) of the respective subsidiary bank's capital and surplus. All such transactions must be on terms that are no less favorable to the Bank than those that would be available from nonaffiliated third parties. Federal Reserve policies also forbid the payment by bank subsidiaries of management fees which are unreasonable in amount or exceed the fair market value of the services rendered and prohibit the payment of management fees if it would cause the Bank to become undercapitalized.

SELECTED HISTORICAL FINANCIAL DATA

Commencement Bank

The following information is derived from the Bank's financial statements for the fiscal years ended December 31, 2019 and 2018. A copy of the financial statement is available on www.commencementbank.com. You should not assume the results of operations for any past periods indicate results for any future period.

(\$ dollars)	For the Years Ended December 31	
	2019	2018
Total interest income	\$17,257,000	\$16,222,000
Total interest expense	2,679,000	1,579,000
Net interest income	14,578,000	14,643,000
Provision for loan losses	290,000	285,000
Total non-interest income	954,000	661,000
Total non-interest expense	9,372,000	8,678,000
Federal income tax expense	1,082,000	1,305,000
Net Income	4,788,000	5,036,000
Total assets	388,384,000	357,471,000
Total loans, net	294,483,000	265,156,000
Total deposits	334,369,000	311,869,000
Total shareholders' equity	47,696,000	42,461,000
Earnings per share		
Basic	\$1.17	\$1.20

Commencement Bancorp, Inc. (Commencement Bancorp)

As of the date of this proxy statement/prospectus, Commencement Bancorp has no assets and liabilities, and no significant business or operating history.

Upon completion of the Reorganization, Commencement Bancorp's assets (on a parent-only basis) will consist solely of its investment in the common stock of the Bank, and, assuming no dissenters' rights are exercised, Commencement Bancorp's shareholders' equity will equal the shareholders' equity of the Bank immediately prior to the Reorganization.

COMPARISON OF SHAREHOLDERS' RIGHTS

This section summarizes the principal similarities and differences between your rights as a shareholder of the Bank and what your rights will be as a shareholder of Commencement Bancorp if the Reorganization is completed. This discussion does not necessarily describe all of the similarities and differences that may be important to you and is qualified in its entirety by reference to the Washington Business Corporations Act and the Washington Commercial Bank Act, and the Articles of Incorporation and the Amended Articles of Incorporation of the Bank (attached to this proxy statement/prospectus as Exhibit C) and the Articles of Incorporation of Commencement Bancorp (attached to this proxy statement/prospectus as Exhibit B).

The differences in shareholder rights exist by virtue of the differences between the provisions of the WBCA and the Washington Commercial Bank Act (many of which are imposed by law and cannot be changed), and by virtue of differences between the provisions of the Amended Articles of Incorporation of the Bank and the Articles of Incorporation of Commencement Bancorp (which are, generally, differences that Commencement Bancorp is choosing to implement to facilitate the operation of the organization under the holding company structure, and which are consistent with the reasons for the Reorganization).

Principal Similarities

The principal similarities between the rights of a shareholder of the Bank and what the rights of a shareholder of Commencement Bancorp will be if the Reorganization is completed include:

- The right to one vote for every share held;
- The right to elect directors by a plurality vote and the absence of cumulative voting;
- The absence of preemptive rights to acquire additional shares;
- All directors stand for election annually, the directors are not elected to serve staggered terms;
- The right to share in the assets distributed upon liquidation in proportion to the number of shares owned;
- The right to share proportionally in dividends and other distributions made in respect of the common stock;
- The right to have an annual meeting of shareholders;
- The right to nominate persons for election to the board of directors, or make other proposals for consideration by the shareholders at an annual shareholders' meeting, provided the nomination or proposal complies with the timing and information requirements specified in the bylaws;
- The broadest limitations of personal liability of a director for monetary damages to the corporation or shareholders permitted by Washington State law; and
- The Board of both entities can take into consideration certain social and economic effects when considering a proposed merger or responding to a tender offer.

Principal Differences

The principal differences between your rights currently as a shareholder of the Bank and what your rights as a shareholder of Commencement Bancorp will be if the Reorganization is approved include, but are not necessarily limited to, the following:

More Common Stock Authorized

The Bank's Articles of Incorporation authorize the issuance of up to 12,100,000 shares of common stock, and no shares of preferred stock. As of the date of this proxy statement/prospectus, these shares are accounted for as follows: 4,117,215 shares have been issued and are outstanding in the hands of the Bank's current shareholders; 786,500 shares are reserved for issuance pursuant to stock options and restricted stock grants issued and outstanding according to the Bank's Equity Plans.

Commencement Bancorp's Articles of Incorporation authorize the issuance of up to 50,000,000 shares of common stock. The maximum number of shares of Commencement Bancorp common stock that will be issued to the holders of Bank stock in the Reorganization is 4,117,215 shares (which assumes that none of the Bank shareholders exercise dissenters' rights). Commencement Bancorp will also reserve 108,185 shares for issued and outstanding stock options and 5,247 shares for restricted grants outstanding, pursuant to the Bank's Equity Plans, and 673,068 shares for future stock option and restricted stock grants, pursuant to the Bank's Equity Plans, which plans will be assumed by Commencement Bancorp upon completion of the Reorganization. This will leave 45,769,353 "authorized but unissued" shares, less those reserved pursuant to option plans, available for issuance by Commencement Bancorp board of directors in its discretion and without shareholder approval, which is significantly more than the number of authorized but unissued shares of the Bank.

There are several reasons Commencement Bancorp's board of directors may elect to issue additional shares of common stock, including to raise capital (to support growth or enhance Commencement Bancorp's and the Bank's capital positions) or as consideration to acquire another bank or bank holding company.

In any event, the future issuance of additional shares of common stock, following completion of the Reorganization, will, in most cases, be dilutive to existing shareholders. See "*THE REORGANIZATION – Reasons for the Reorganization*" beginning on page 10.

Preferred Stock Authorized

The Bank's Articles of Incorporation currently do not permit the issuance of preferred stock. Commencement Bancorp's Articles of Incorporation authorize 100,000 shares of preferred stock that Commencement Bancorp's board of directors will be able to issue at any time, for any purpose and for any consideration as they may deem appropriate. As with the additional shares of common stock available for issuance, the existence of authorized but unissued shares of preferred stock will give Commencement Bancorp's board of directors more flexibility in raising capital and/or pursuing acquisitions, and the board will have the discretion to provide rights to the holders of preferred stock that may interfere with or be superior to your rights as a common stock shareholder. See "*THE REORGANIZATION – Reasons for the Reorganization*" beginning on page 10.

Although Commencement Bancorp will not issue any shares of the Preferred Stock in connection with the Reorganization, and it is uncertain when, if ever, shares of Preferred Stock will be issued, if such shares are ever issued, they may have a dilutive effect on the holders of Commencement Bancorp common

stock, and will also have some superior liquidation rights over the common stock. See “*THE REORGANIZATION – Reasons for the Reorganization*” beginning on page 10.

Other Differences in the Articles

In addition to the foregoing provisions related to common and preferred stock, Commencement Bancorp’s Articles of Incorporation also contain a number of provisions that are different, or in addition to, the Bank’s existing Amended Articles of Incorporation.

Number of Directors

Article IV of the Bank’s Articles of Incorporation provides that the size of the Board shall be not less than five (5) nor more than fifteen (15) directors. Article III of Commencement Bancorp’s Articles of Incorporation states that the size of the Board shall be fixed as provided in the Bylaws.

Amendment or Repeal of Articles and Bylaws

Article XIII of the Bank’s Articles of Incorporation provides that the articles may be amended by the affirmative vote of two-thirds (2/3) of the shareholders. Commencement Bancorp’s Articles of Incorporation reserves the right to amend or repeal any provisions contained in these Articles of Incorporation in any manner now or hereafter permitted by law. All rights of shareholders of the Corporation and all powers of directors of the Corporation are granted subject to this reservation.

Quorum

The Bank Articles are silent on the issue of a quorum, and the quorum requirements are therefore governed by the default statutes in Washington. The statutes generally require the vote, in person or by proxy, of a majority of outstanding shares for routine matters, such as the election of directors, and two-thirds (2/3) affirmative votes of all shares for certain non-routine matters such as amendment of the Articles or a merger transaction. The Articles of Commencement Bancorp provide that, except where otherwise provided by law or by the articles of incorporation, shareholders representing, in person or by proxy, one-third (1/3) of the shares then issued and outstanding shall constitute a quorum, and on certain major transactions such as a plan of merger or share exchange, the sale, lease, exchange, or other disposition of all or substantially all of the property of Commencement Bancorp not in the usual and regular course of business, or dissolution of Commencement Bancorp, shall be a majority of all of the votes entitled to be cast by each voting group entitled to vote thereon.

Indemnification

The Articles of Incorporation of Commencement Bancorp provides for indemnification of directors, officers, employees and agents to the maximum extent permitted. The Articles of Incorporation of the Bank do not address indemnification which is covered in the Bank’s bylaws. The Indemnification provision of the bylaws of the Bank are similar to those in the Articles of Incorporation of Commencement Bancorp.

DISSENTERS’ RIGHTS

The Revised Code of Washington 30A.04.560 and 30A.04.565, the full text of which is attached to this proxy statement/prospectus as Exhibit D, set forth the procedure to be followed by any shareholder of the Bank who wishes to dissent from the Reorganization and obtain the value of his or her shares of Bank common stock in cash instead of receiving Commencement Bancorp common stock in the Reorganization.

The following summary is qualified in its entirety by reference to the full text of the applicable statutes set forth on Exhibit D.

In order to exercise his or her dissenters' rights, a shareholder must follow all of the steps as outlined in this proxy statement/prospectus and in RCW 30A.04.560, attached hereto as Exhibit D. A vote against the Reorganization will not, by itself, satisfy the notice requirements with respect to the assertion of dissenters' rights. Among other things, to assert dissenters' rights, a shareholder must either (i) vote against the Reorganization at the Annual Meeting, or (ii) deliver to the Bank, before the vote on the Reorganization is taken, written notice of the shareholder's intent to demand payment for his or her shares if the proposed Reorganization is effected, and refrain from voting his or her shares in favor of the Reorganization. If a shareholder has delivered the required written notice to the Bank, he or she is not required to vote his or her shares against the proposed Reorganization but must simply refrain from voting his or her shares in favor of the proposed Reorganization. Voting AGAINST or ABSTAIN, or not voting at all, are all sufficient to preserve the shareholder's dissenters' rights. In addition, within thirty (30) days after the date of shareholder approval, the dissenting shareholder must confirm in writing his or her dissent to the transaction and surrender his or her Bank stock certificates (if physical certificates are held). Such notice should be addressed to: John E. Manolides, President and Chief Executive Officer, Commencement Bank, 1102 Commerce St, Tacoma, Washington 98402.

As soon as the Reorganization takes place or upon receipt of a payment demand, whichever is later, the Bank will pay each dissenting shareholder who has complied with the demand requirements the amount that the Bank estimates to be the fair value of the dissenting shareholder's shares. The payment will be accompanied by, among other things, the Bank's latest available financial statements, a statement of the Bank's estimate of the fair value of the shares, and an explanation of how the fair value was calculated. The value of the shares of any dissenting shareholder shall be determined, as of the day prior to the date of the shareholder action approving the Reorganization, by an appraisal made by a committee of three persons. The committee shall be comprised of one representative appointed by two-thirds (2/3) of dissenting shareholders, one representative appointed by the directors of the financial holding company, and one representative selected by the two other representatives so selected. The valuation agreed upon by any two (2) appraisers shall govern. The dissenting shareholders shall bear, on a *pro rata* basis based on the number of dissenting shares owned, the cost of their appraisal and one-half (1/2) of the cost of the third appraisal, and Commencement Bancorp shall bear the cost of its appraisal and one-half (1/2) of the cost of the third appraisal. If the appraisal is not completed within ninety (90) days after the effective date of the Reorganization, the DFI shall cause an appraisal to be made which shall be final and binding upon all parties. The cost of such appraisal shall be borne equally by the dissenting shareholders and Commencement Bancorp. The dissenting shareholders shall share their half of the cost on a *pro rata* basis based on the number of dissenting shares owned.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary description of the material anticipated federal income tax consequences of the Reorganization generally applicable to the shareholders of the Bank. This summary is not intended to be a complete description of all of the federal income tax consequences of the Reorganization. No information is provided with respect to the tax consequences of the Reorganization under any other tax laws, including applicable state, local and foreign tax laws. In addition, the following discussion may not be applicable with respect to specific categories of shareholders, including but not limited to corporations, partnerships and trusts; dealers in securities; financial institutions; insurance companies or tax exempt organizations; persons who are not United States citizens or resident aliens or domestic entities; persons who are subject to alternative minimum tax; persons who acquired shares of Bank stock by exercising employee stock options or otherwise as compensation.

No ruling has been or will be requested from the Internal Revenue Service with respect to the tax effects of the Reorganization. The federal income tax laws are complex, and a shareholder's individual circumstances may affect the tax consequences to the shareholder.

The Bank and Commencement Bancorp have received an opinion from Keller Rohrback L.L.P. to the effect that, for federal income tax purposes:

- The Reorganization will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code").
- Neither the exchange of Bank common stock solely for Commencement Bancorp common stock nor the conversion of Bank stock options or restricted stock grants into Commencement Bancorp stock options or restricted stock grants in the Reorganization will cause the recognition of gain or loss to the shareholders of Bank.
- Neither Bank nor Commencement Bancorp will recognize gain or loss as a result of the Reorganization.
- The aggregate federal income tax basis of Commencement Bancorp common stock received pursuant to the Reorganization (including any fractional share deemed received and exchanged for cash) will be the same as the basis of shares of Bank common stock exchanged therefore, and the holding period of such Commencement Bancorp common stock (including any fractional share deemed received and exchanged for cash) will include the holding period of the Bank common stock exchanged therefor.
- A Bank shareholder who exercises dissenters' rights generally will recognize gain or loss equal to the difference between the amount of money received by such shareholder and the tax basis of such shareholder's Bank common stock.

The tax opinion is based on customary assumptions and certain factual representations by the management of Commencement Bancorp and the Bank.

The board of directors unanimously recommends that the shareholders vote "FOR" the approval of the Reorganization Plan.

PROPOSAL 2

TO APPROVE THE COMMENCEMENT BANK EMPLOYEE STOCK PURCHASE PLAN.

The board of directors is submitting for approval by our shareholders the Commencement Bank Employee Stock Purchase Plan (the "ESPP"), which will be effective for periods commencing June 16, 2020. The purpose of the ESPP is to provide employees of the Bank and its designated subsidiaries with the opportunity to purchase shares of our common stock through accumulated payroll deductions. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code (the "Code").

A summary of the ESPP appears below. This summary is qualified in its entirety by the text of the ESPP, which is included as Exhibit F to this proxy statement.

Administration

The ESPP will be administered by the Board of Directors or a committee of members appointed by the Board. The Board will have the discretionary authority to administer and interpret the ESPP. The Board may delegate administrative tasks to employees.

Shares Available Under ESPP

The maximum number of shares of our common stock which will be authorized for sale under the ESPP is 100,000. The common stock made available for sale under the ESPP may be authorized but unissued shares or reacquired shares reserved for issuance under the ESPP.

Eligible Employees

Employees eligible to participate in the ESPP generally include employees who have been employed by us or one of our designated subsidiaries for at least twenty (20) hours per week and more than five months in any calendar year. Employees who own (or are deemed to own through attribution) 5% or more of the combined voting power or value of all classes of our stock or the stock of one of our subsidiaries are not allowed to participate in the ESPP. As of March 5, 2020, the approximate number of employees eligible to participate in the ESPP was 58.

Participation

Employees will enroll under the ESPP by completing a payroll deduction authorization form permitting the deduction of at least 1% but not more than 10% from their compensation. However, in no case may a participant purchase more than 2,500 shares of our common stock during any offering period. If the aggregate subscriptions exceed the number of authorized shares of common stock available for purchase under the ESPP, they will be reduced on a pro rata basis.

Offering

Under the ESPP, participants are offered the option to purchase shares of our common stock at a discount on the exercise date for each offering period. Offering periods under the ESPP typically commence on the 16th day of March, June, September, and December and end on the last trading day of such calendar quarter, with this last trading day being the exercise date for the offering period.

The option purchase price will be 85% of the closing price of our common stock on the exercise date as reported on the OTC Markets, but no less than par value.

Unless a participant has previously canceled his or her participation in the ESPP, the participant will be deemed to have exercised his or her option in full as of each exercise date. Upon exercise, the participant will purchase the number of whole shares of common stock that his or her accumulated payroll deductions will buy at the option purchase price. No fractional shares will be purchased. Accordingly, the balance of a participant's contributions will be carried forward to the next offering period unless the participant elects to withdraw from the ESPP.

A participant may cancel his or her payroll deduction authorization at any time prior to the end of the offering period. Upon cancellation, the participant must elect to withdraw from the ESPP and have the entire balance of his or her account refunded in cash without interest.

Approval of Plan of Reorganization

If the Reorganization Plan whereby Commencement Bank will become a wholly owned subsidiary of Commencement Bancorp, Inc. is approved, this ESPP will be assumed by Commencement Bancorp, Inc.

Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale

The number of shares of our common stock available for purchase under the ESPP, as well as the option purchase price and the number of shares covered by each option under the ESPP that has not yet been exercised shall be proportionately adjusted for adjustments made in the number of outstanding shares of our common stock or an exchange of the shares of common stock resulting from a stock split, stock dividend, or any other subdivision.

If there is a proposal to (i) merge or consolidate us with or into another corporation, (ii) sell all or substantially all of our assets, or (iii) dissolve or liquidate us, then the current offering period will end on the business day immediately preceding the effective date of such event, unless each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a parent or subsidiary of the successor corporation in accordance with Section 424 of the Code.

Amendment and Termination

The board of directors, in its sole discretion, may amend, suspend or terminate the ESPP at any time. However, the board of directors may not amend the ESPP to either increase the maximum number of shares that may be purchased under the ESPP or to change the designation or class of employees eligible to participate in the ESPP without obtaining shareholder approval within 12 months before or after such action. Unless terminated earlier by the board of directors, the ESPP will terminate automatically on April 28, 2030 (if the ESPP is approved by our shareholders at the Annual Meeting). The ESPP will automatically terminate once all shares of common stock available for purchase thereunder have been purchased unless shareholders approve an amendment authorizing new shares under the ESPP.

The Board may, without approval of our shareholders or board of directors, change offering periods, limit the amount and frequency of amounts contributed to the ESPP, or alter the exercise price, but only to avoid negative financial accounting consequences.

Federal Income Tax Consequences

Generally, no federal income tax consequences will arise at the time an employee purchases common stock under the ESPP. If an employee disposes of common stock purchased under the ESPP less than one year after the common stock is purchased or within two years of the offering date, the employee will be deemed to have received compensation taxable as ordinary income for the taxable year in which the disposition occurs in the amount of the difference between the fair market value of the common stock at the time of purchase and the amount paid by the employee for the common stock. The amount of such ordinary income recognized by the employee will be added to the employee's basis in the common stock for purposes of determining capital gain or loss upon the disposition of the common stock by the employee.

If an employee does not dispose of the common stock purchased under the ESPP until at least one year after the common stock is purchased and at least two years after the offering date, the employee will

be deemed to have received compensation taxable as ordinary income for the taxable year in which the disposition occurs in an amount equal to the lesser of (a) the excess of the fair market value of the common stock on the date of disposition over the purchase price paid by the employee, or (b) the excess of the fair market value of the common stock on the offering date over the purchase price paid by the employee. The amount of such ordinary income recognized by the employee will be added to the employee's basis in the common stock for purposes of determining capital gain or loss upon the disposition of the common stock by the employee. If an employee dies before disposing of the common stock purchased under the ESPP, he or she will be deemed to have received compensation taxable as ordinary income in the taxable year closing with the employee's death in an amount equal to the lesser of clauses (a) or (b) as set forth in the first sentence of this paragraph. The employee will not realize any capital gain or loss at death.

The Bank generally will not be entitled to a deduction with respect to the common stock purchased by an employee under the ESPP, unless the employee disposes of the common stock less than one year after the common stock is transferred to the employee or less than two years after the offering date.

The board of directors unanimously recommends that the shareholders vote "FOR" the approval of the Commencement Bank Employee Stock Purchase Plan.

PROPOSAL 3

TO RATIFY THE APPOINTMENT OF FORTNER, BAYENS, LEVKULICH & GARRISON, P.C. AS THE BANK'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020.

The audit committee of the board of directors has appointed Fortner, Bayens, Levkulich & Garrison, P.C. as our independent registered public accounting firm for the fiscal year ended December 31, 2020. Fortner, Bayens, Levkulich & Garrison, P.C. also served as the Bank's independent registered accounting firm for fiscal year 2019.

Shareholder ratification of the selection of Fortner, Bayens, Levkulich & Garrison, P.C. as our independent registered public accounting firm is not required by our Bylaws or otherwise. However, the board of directors is submitting the selection of Fortner, Bayens, Levkulich & Garrison, P.C. to the shareholders for ratification as a matter of good corporate governance practice. Furthermore, the audit committee will take the results of the shareholder vote regarding Fortner, Bayens, Levkulich & Garrison, P.C.'s appointment into consideration in future deliberations. Even if the selection is ratified, the audit committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Bank and its shareholders.

The board of directors unanimously recommends that the shareholders vote "FOR" Proposal No. 3 to ratify the appointment of Fortner, Bayens, Levkulich & Garrison, P.C. as the independent registered public accounting firm of the Bank for the fiscal year ended December 31, 2020.

OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING

Our board of directors knows of no matters other than those referred to in the accompanying Notice of Annual Meeting of Shareholders which may properly come before the Annual Meeting. However, if any other matter should be properly presented for consideration and voting at the Annual Meeting or any adjournments or postponements thereof, it is the intention of the persons named as proxies on the enclosed proxy card to vote the shares represented by all valid proxy cards in accordance with their judgment of what is in the best interest of the Bank.

Exhibit A

**REORGANIZATION AGREEMENT AND PLAN OF SHARE EXCHANGE,
DATED JANUARY 29, 2020, BETWEEN
COMMENCEMENT BANK AND COMMENCEMENT BANCORP, INC.**

REORGANIZATION AGREEMENT AND PLAN OF SHARE EXCHANGE

This REORGANIZATION AGREEMENT AND PLAN OF SHARE EXCHANGE (the “Reorganization Plan”), dated as of January 29, 2020 is entered into between Commencement Bank (the “Bank”), a state-chartered bank organized under the Washington commercial bank act, and Commencement Bancorp, Inc. (the “Corporation”), a business corporation organized under the Washington business corporation act:

RECITALS

The parties hereto acknowledge the following to be true and correct:

1. Bank is a Washington state banking corporation with its principal office in the City of Tacoma, County of Pierce, State of Washington. The Corporation is a Washington state business corporation with its principal offices in the City of Tacoma, County of Pierce, State of Washington.

2. Bank has 12,100,000 shares of common stock authorized, of which 4,117,215 shares are currently outstanding.

3. As of the date hereof, the Corporation has 100,000 shares of serial preferred stock authorized, none of which are outstanding, and 50,000,000 shares of common stock authorized, no shares of which will be outstanding at the time of the reorganization referred to herein.

4. The boards of directors of each of the Bank and the Corporation have deemed advisable a share exchange transaction between the Bank and the Corporation (the “Share Exchange”) in order to establish a holding company structure and have approved this Reorganization Plan and authorized its execution and delivery.

5. The parties intend that the Share Exchange shall qualify as a tax-free reorganization under the provisions of Section 368 of the Internal Revenue Code of 1986, as amended.

In consideration of the foregoing and to achieve the expressed goals of the entities, the Bank and the Corporation hereby enter into this Reorganization Plan and prescribe the terms and conditions of the Share Exchange and the mode of carrying it into effect:

ARTICLE 1.

The Acquiring Corporation

The name of the acquiring corporation is Commencement Bancorp, Inc. The name of the entity whose shares will be acquired is Commencement Bank.

ARTICLE 2.
Terms and Conditions of the Exchange

1. When the Share Exchange becomes effective, each issued and outstanding share of common stock of the Bank (excluding shares held by shareholders who perfect their dissenters' rights, if any) shall be automatically converted, without any action on the part of the holder, into the right to receive one share of common stock of the Corporation. As a result of the Share Exchange, the Corporation shall become the sole holder of common stock of the Bank, and the Bank will continue in existence as a wholly-owned subsidiary of the Corporation. The articles of incorporation, bylaws, corporate identity, charter, and officers and directors of the Bank will not be changed as a result of the Share Exchange. Consequently, as a result of the Share Exchange, the existing shareholders of the Bank will become the only holders of common stock of the Corporation and the Corporation will have 4,117,215 shares of common stock issued and outstanding, together with any shares issued after the date of this Plan of Share Exchange and the Effective Date thereof (assuming no exercise of dissenter's rights, no exercises of options or vesting of restricted stock awards and no issuances of common stock prior to the Effective Date).

2. When the Share Exchange becomes effective, each issued and outstanding option and restricted stock award to acquire shares of common stock of the Bank shall be automatically converted into an option or restricted stock award, as the case may be, to acquire shares of common stock of the Corporation, in the same amount and upon the same terms and conditions as were in effect prior to the Share Exchange. Consequently, as a result of the Share Exchange, the Bank will have no outstanding options or restricted stock awards to acquire common stock of the Bank, and the Corporation will have options outstanding to acquire 108,815 shares of common stock of the Corporation and restricted stock awards outstanding to acquire 13,607 shares of common stock of the Corporation (assuming no new awards, or the issuances, expirations, terminations or exercises of options or restricted stock awards prior to the Effective Date).

3. When the Share Exchange becomes effective, and in conjunction with the conversion of outstanding options of the Bank for options of the Corporation, the Corporation shall adopt and assume the Bank's 2006 Equity Incentive Plan, the Bank's 2017 Equity Incentive Plan, the Equity Compensation Plan for Non-Employee Directors (the "Equity Plans"), which shall, after consummation of the Share Exchange, be plans of the Corporation.

4. Consummation of the Share Exchange is conditioned upon approval by the holders of two-thirds (2/3) of the outstanding shares of common stock of the Bank as required by law, and receipt of any required non-objections, consents or approvals from regulatory agencies, including the State of Washington Department of Financial Institutions and the Board of Governors of the Federal Reserve System.

5. The Reorganization Plan shall be submitted to the holders of common stock of the Bank for approval at a special shareholders' meeting to be called and held in accordance with the applicable provisions of law and the Articles of Incorporation and Bylaws of the Bank. The Bank and the Corporation shall proceed expeditiously and cooperate fully in the procurement of any consents or approvals, and the taking of any other action, and the satisfaction of all other non-

objections and requirements, prescribed by law or otherwise, necessary for consummation of the Share Exchange.

6. Upon satisfaction of the requirements of law and the conditions contained in the Reorganization Plan, the Share Exchange shall become effective upon the filing of the Articles of Share Exchange with the Washington State Department of Financial Institutions (the "Effective Date").

7. One half of the expenses of the reorganization, including filing fees, printing costs, mailing costs, accountant's fees and legal fees (the "Expenses") shall be paid by the Bank, and one half paid by the Corporation if and when the Reorganization Plan becomes effective. If reorganization is not approved, all Expenses shall be borne by the Bank.

8. If the shareholders approve the reorganization by a two-thirds (2/3) vote of the shares entitled to vote under the terms of such shares, and if it is thereafter approved by the Washington State Department of Financial Institutions and consummated, any shareholder of the Bank who has voted shares against such reorganization at such meeting or has given notice in writing at or prior to such meeting to the Bank that he or she dissents from the plan of reorganization and has not voted in favor of the reorganization, shall be entitled to receive the value of the shares determined as provided in RCW 30.04.565. Such dissenter's rights must be exercised by making written demand which shall be delivered to the Bank at any time within thirty (30) days after the date of shareholder approval, accompanied by the surrender of the appropriate stock certificates.

9. Nothing in this Reorganization Plan, express or implied, other than the right to receive one (1) share of common stock of the Corporation in exchange for each outstanding share of common stock of the Bank and the right to one option to acquire shares of the common stock of the Corporation upon conversion of each outstanding option and the vesting of any restricted stock award to acquire common stock of the Bank, all pursuant to this Reorganization Plan, is intended to or shall confer upon any person other than the parties hereto any rights, benefits, or remedies of any nature whatsoever under or by this Reorganization Plan.

ARTICLE 3.

Manner and Basis of Exchanging Shares, Options and Restricted Stock Awards

On the Effective Date:

1. Each share of common stock of the Bank issued and outstanding immediately prior to the Effective Date shall, without any action on the part of the holder thereof, be converted into the right to receive one share of common stock of the Corporation.

2. Each holder of common stock of the Bank shall cease to be a shareholder of the Bank and the ownership of all shares of the issued and outstanding common stock of the Bank shall thereupon automatically vest in the Corporation as the acquiring corporation.

3. As of the Effective Date, outstanding certificates representing shares of the common stock of the Bank shall thereafter represent shares of the common stock of the

Corporation, and such certificates may, but need not, be exchanged by the holders thereof, after the Share Exchange becomes effective, for new certificates for the appropriate number of shares bearing the name of the Corporation.

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

Outstanding certificates representing shares of the common stock of the Bank awarded with such restrictions as set forth on the applicable award agreement pursuant to the Bank's Equity Plans shall thereafter represent shares of the common stock of the Corporation with such terms, conditions and restrictions as originally awarded by the Bank.

ARTICLE 4. Termination

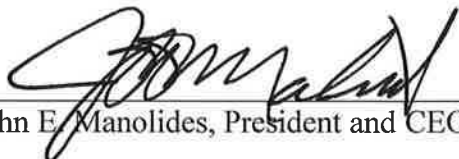
This Reorganization Plan may be terminated, in the sole discretion of the Bank's or the Corporation's board of directors, at any time before the Effective Date if:

1. The number of shares of the Bank common stock voted against approval of the reorganization or that have sought dissenter's rights is great enough that completion of the reorganization is unlikely or inadvisable;
2. Any action, suit, proceeding, or claim is commenced or threatened that could make completion of the reorganization inadvisable;
3. It is likely that a regulatory approval will not be obtained, or if obtained, has or will contain or impose a condition or requirement that would materially and adversely affect the operations or business prospects of the Corporation or the Bank following the Effective Date so as to render inadvisable the completion of the reorganization; or
4. Any other reason exists that makes completion of the share exchange inadvisable in the sole and exclusive judgment of the respective boards of directors.

Upon termination as provided in this Article 4, this Reorganization Plan shall be void and of no further force or effect, and there shall be no liability by reason of this Reorganization Plan or the termination thereof on the part of either the Bank, the Corporation, or the directors, officers, employees, agents, or shareholders of either of them.

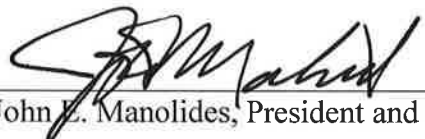
IN WITNESS WHEREOF, the Bank and the Corporation have caused this Reorganization Plan to be executed and attested in counterparts by their duly authorized officers as of the day and year first above written.

COMMENCEMENT BANK



John E. Manolides, President and CEO

COMMENCEMENT BANCORP, INC.



John E. Manolides, President and CEO

4819-0408-5166, v. 3

Exhibit B

ARTICLES OF INCORPORATION OF COMMENCEMENT BANCORP, INC.

UNITED STATES OF AMERICA

The State of Washington

Secretary of State

I, KIM WYMAN, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

ARTICLES OF INCORPORATION

to

COMMENCEMENT BANCORP, INC.

A WA PROFIT CORPORATION, effective on the date indicated below.

Effective Date: 01/29/2020

UBI Number: 604 574 249



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

A handwritten signature in cursive script, reading "Kim Wyman".

Kim Wyman, Secretary of State

Date Issued: 01/29/2020

APPROVED
Roberta Hollinshead
DIRECTOR OF BANKS
DEPARTMENT OF FINANCIAL INSTITUTIONS

FILED
Secretary of State
State of Washington
Date Filed: 01/29/2020
Effective Date: 01/29/2020
UBI No: 604 574 249

ARTICLES OF INCORPORATION
of
COMMENCEMENT BANCORP, INC.

The undersigned hereby executes the following Articles of Incorporation for the purpose of forming a corporation under the Washington Business Corporation Act (the "Act").

ARTICLE I

Name

The name of this Corporation is "Commencement Bancorp, Inc."

ARTICLE II

Purposes and Powers

The purpose and powers of this Corporation are: (a) to engage in any lawful business; (b) to engage in any and all activities that, in the judgment of the Board of Directors, may at any time be incidental or conducive to the attainment of the foregoing purpose; and (c) to exercise any and all powers that a corporation formed under the Act, or any amendment thereto or substitute therefor, is entitled at the time to exercise.

ARTICLE III

Directors

The number of Directors of the Corporation shall be fixed as provided in the Bylaws of the Corporation and may be changed from time-to-time by amending the Bylaws of the Corporation ("Bylaws"). The term of each director, including directors selected to fill vacancies, shall expire at the next regular meeting of shareholders at which directors are elected, unless a director resigns or is removed from office. Any vacancy occurring on the Board of Directors may be filled from time-to-time in the manner provided by the Bylaws.

ARTICLE IV

Capital Stock

A. Authorized Capital Stock

The total number of shares that this corporation is authorized to issue is 50,100,000, consisting of 50,000,000 shares of Common Stock, \$1.00 par value, and 100,000 shares of preferred stock ("Preferred Stock"). The Common Stock is subject to the rights and preferences of the Preferred Stock as set forth below.

B. Issuance of Preferred Stock in Series

The preferred stock may be issued from time to time in one or more series in any manner permitted by law and the provisions of these Articles of Incorporation, as determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for its issuance,

prior to the issuance of any shares. The Board of Directors shall have the authority to fix and determine and to amend, subject to these provisions, the designation, preferences, limitations and relative rights of the shares of any series that is wholly unissued or to be established. Unless otherwise specifically provided in the resolution establishing any series, the Board of Directors shall further have the authority, after the issuance of shares of a series whose number it has designated, to amend the resolution establishing such series to decrease the number of shares of that series, but not below the number of shares of such series then outstanding.

C. Dividends

The holders of shares of the preferred stock shall be entitled to receive dividends, out of the funds of the Corporation legally available, at the rate and at the time or times, whether cumulative or noncumulative, as may be provided by the Board of Directors in designating a particular series of preferred stock. If such dividends on the preferred stock shall be cumulative, then if dividends shall not have been paid, the deficiency shall be fully paid or the dividends declared and set apart for payment at such rate, but without interest on cumulative dividends, before any dividends on the common stock shall be paid or declared and set apart for payment. The holders of the preferred stock shall not be entitled to receive any dividends other than the dividends referred to in this Article.

D. Redemption

The preferred stock may be redeemable at such price, in such amount, and at such time or times as may be provided by the Board of Directors in designating a particular series of preferred stock. In any event, such preferred stock may be repurchased by the Corporation to the extent legally permissible.

E. Liquidation

In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, then, before any distribution shall be made to the holders of the common stock, the holders of the preferred stock at the time outstanding shall be entitled to be paid the preferential amount or amounts per share as may be provided by the Board of Directors in designating a particular series of preferred stock and any accrued but unpaid dividends to the date of such payment. The holders of the preferred stock shall not be entitled to receive any distributive amounts upon the liquidation, dissolution or winding up of the affairs of the Corporation other than the distributive amounts referred to in this Article, unless otherwise provided by the Board of Directors in designating a particular series of preferred stock.

F. Conversion

Shares of preferred stock may be convertible into common stock of the Corporation upon such terms and conditions, at such rate and subject to such adjustments as may be provided by the Board of Directors in designating a particular series of preferred stock.

G. Voting Rights

Holders of preferred stock shall have such voting rights as may be provided by the Board of Directors in designating a particular series of preferred stock.

ARTICLE V No Preemptive Rights

Shareholders of the Corporation shall have no preemptive rights to acquire additional shares issued by the Corporation.

ARTICLE VI No Cumulative Voting

At each election of directors, every shareholder entitled to vote at such election has the right to vote in person or by proxy the number of shares of stock held by such shareholder for as many persons as there are directors to be elected. No cumulative voting for directors will be permitted.

ARTICLE VII Majority Vote Required

Pursuant to authority granted under Sections 23B.10.030, 23B.11.030, 23B.12.020, and 23B.14.020 of the Act, the vote of shareholders of the Corporation required in order to approve amendments to the Articles of Incorporation, a plan of merger or share exchange, the sale, lease, exchange, or other disposition of all or substantially all of the property of the Corporation not in the usual and regular course of business, or dissolution of the Corporation, shall be a majority of all of the votes entitled to be cast by each voting group entitled to vote thereon, regardless of whether or not the Corporation is a "public company," as that term is defined in Section 23B.01.400 of the Act.

ARTICLE VIII Indemnification of Directors, Officers, Employees and Agents

8.1 The capitalized terms in this Article VIII shall have the meanings set forth in RCW 23B.08.500.

8.2 The Corporation shall indemnify and hold harmless each individual who is or was serving as a Director or officer of the Corporation or who, while serving as a Director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against any and all Liability incurred with respect to any Proceeding to which the individual is or is threatened to be made a Party because of such service, and shall make advances of reasonable Expenses with respect to such Proceeding, to the fullest extent permitted by law, without regard to the limitations in RCW 23B.08.510 through 23B.08.550; provided that no such indemnity shall indemnify any Director or officer from or on account of (1) acts or omissions of the Director or officer finally adjudged to be intentional misconduct or a knowing violation of law; (2) conduct of the Director or officer finally adjudged

to be in violation of RCW 23B.08.310; or (3) any transaction with respect to which it was finally adjudged that such Director or officer personally received a benefit in money, property, or services to which the Director or officer was not legally entitled.

8.3 The Corporation may purchase and maintain insurance on behalf of an individual who is or was a Director, officer, employee, or agent of the Corporation or, who, while a Director, officer, employee, or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise against Liability asserted against or incurred by the individual in that capacity or arising from the individual's status as a Director, officer, employee, or agent, whether or not the Corporation would have power to indemnify the individual against such Liability under RCW 23B.08.510 or 23B.08.520.

8.4 If, after the effective date of these Articles of Incorporation, the Act is amended to authorize further indemnification of Directors or officers, then Directors and officers of the Corporation shall be indemnified to the fullest extent permitted by the Act as so amended.

8.5 To the extent permitted by law, the rights to indemnification and advance of reasonable Expenses conferred in this Article VIII shall not be exclusive of any other right which any individual may have or hereafter acquire under any statute, provision of the Bylaws, agreement, vote of shareholders or disinterested Directors, or otherwise. The right to indemnification conferred in this Article VIII shall be a contract right upon which each Director or officer shall be presumed to have relied in determining to serve or to continue to serve as such. Any amendment to or repeal of this Article VIII shall not adversely affect any right or protection of a Director or officer of the Corporation for or with respect to any acts or omissions of such Director or officer occurring prior to such amendment or repeal.

8.6 If any provision of this Article VIII or any application thereof shall be invalid, unenforceable, or contrary to applicable law, the remainder of this Article VIII, and the application of such provisions to individuals or circumstances other than those as to which it is held invalid, unenforceable, or contrary to applicable law, shall not be affected thereby.

ARTICLE IX

Liability of Board of Directors

A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for conduct as a director, except for liability of the director for (i) acts or omissions that involve intentional misconduct or a knowing violation of law by the director, (ii) conduct which violates RCW 23B.08.310 of the Washington Business Corporation Act, pertaining to unpermitted distributions to shareholders or loans to directors, or (iii) any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If the Washington Business Corporation Act is amended to authorize corporate action further eliminating or limiting personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Washington Business Corporation Act, as so amended. Any repeal or modification of the foregoing paragraph by the shareholders of the Corporation shall not adversely

affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE X
Factors to be Considered by Directors
Regarding Certain Transactions

The Board of Directors of the Corporation, when evaluating any offer of any other party to:

- (a) Make a tender or exchange offer to acquire any equity security of the Corporation;
- (b) Merge or consolidate the Corporation with another corporation; or
- (c) Purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation;

may give, but shall not be required to give, in connection with the exercising of its judgment in determining what is in the best interests of the Corporation and its shareholders, consideration to the social and economic effects on the employees and customers of the Corporation, and the communities in which the Corporation's facilities are located and which the Corporation serves, in addition to any other factors deemed relevant by the Board.

ARTICLE XI
Amendment of Articles of Incorporation and Bylaws

The Corporation reserves the right to amend or repeal any provisions contained in these Articles of Incorporation in any manner now or hereafter permitted by law. All rights of shareholders of the Corporation and all powers of directors of the Corporation are granted subject to this reservation. Subject to the limitation(s) of RCW 23B.10.210, and subject to the power of the shareholders of the Corporation to change or repeal the Bylaws, the Board of Directors is expressly authorized to make, amend, or repeal the Bylaws of the Corporation unless the shareholders in amending or repealing a particular bylaw provide expressly that the Board of Directors may not amend or repeal that bylaw.

ARTICLE XII
Quorum for Meeting of Shareholders

At each meeting of shareholders, except where otherwise provided by law or by the articles of incorporation, shareholders representing, in person or by proxy, one-third (1/3) of the shares then issued and outstanding shall constitute a quorum.

ARTICLE XIII
Correction of Clerical Errors

The Corporation shall have authority to correct clerical errors in any documents filed with the Secretary of State of Washington, including these Articles of Incorporation or any amendments hereto, without the necessity of special shareholder approval of such corrections.

ARTICLE XIV
Registered Office and Agent

The name of the registered agent and the street address of the Corporation's initial registered office are: Glen P. Garrison, 1201 Third Avenue, Suite 3200, Seattle, Washington 98101-3052.

ARTICLE XV
Incorporator

The name and address of the incorporator is:

Glen P. Garrison, 1201 Third Avenue, Suite 3200, Seattle, Washington 98101-3052.

DATED this 29th day of January, 2020.



Glen P. Garrison, Incorporator

CONSENT TO SERVE AS REGISTERED AGENT

The undersigned hereby consents to serve as Registered Agent in the State of Washington, for Commencement Bancorp, Inc. (the "Corporation"). The undersigned understands that as agent for the Corporation, it will be its responsibility to receive service of process in the name of the Corporation; to forward all mail to the Corporation; and to immediately notify the Office of the Secretary of State in the event of its resignation, or of any changes in the registered office address of the Corporation for which it is agent.

Dated this 29 day of JANUARY, 2020.


Glen P. Garrison

4849-8089-4643, v. 1

Exhibit C

**ARTICLES OF INCORPORATION AND ARTICLES OF AMENDMENT
OF COMMENCEMENT BANK**

FILED
SECRETARY OF STATE

OCT 27 2006

STATE OF WASHINGTON

LR

**ARTICLES OF INCORPORATION
of**

COMMENCEMENT BANK

602663799

APPROVED
[Signature]
DIRECTOR OF BANKS
DEPARTMENT OF FINANCIAL INSTITUTIONS

For the purposes of organizing a corporation to carry on the business of banking under the laws of the State of Washington, the undersigned do enter into the following Articles of Incorporation.

ARTICLE I

Name

The name of this Corporation is "Commencement Bank."

ARTICLE II

Location of Main Office

The main office of the Corporation shall be located at 1135 Broadway Plaza, Suite 103, Tacoma, Washington 98402. The general business of the Corporation shall be conducted at its main office and its branches, if any.

ARTICLE III

Nomination of Directors

Nominations for the election of directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. Such nominations other than by the Board of Directors shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than sixty (60) days prior to the first anniversary of the date of the last meeting of shareholders of the Corporation called for the election of directors.

Each notice shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice; (ii) the principal occupation or employment of each such nominee; (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee; and (iv) such other information as would be required by the Federal Securities Laws and the Rules and Regulations promulgated thereunder in respect to any individual nominated as director of the corporation and for whom proxies are solicited by the Board of Directors of the Corporation.

The Chairman of any meeting of shareholders may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and the defective nomination shall be disregarded.

ARTICLE IV

Directors

The Board of Directors shall consist of not less than 5 nor more than 15 persons, the exact number to be fixed and determined from time to time by resolution of a majority of the full Board of Directors. The term of each director, including directors

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selected to fill vacancies, shall expire at the next regular meeting of shareholders at which directors are elected, unless a director resigns or is removed from office. Any vacancy occurring on the Board of Directors may be filled from time to time in the manner provided by the Bylaws.

The initial Board of Directors of the Corporation shall be composed of nine members. The names and addresses of the persons who, as directors, are to manage the Corporation until the first annual meeting of its shareholders or until their successors are elected and shall qualify are:

Charles F. Diesing
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

John C. James
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

Peter J. Lemcke
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

Daniel K. McFarland
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

Thomas H. Nixon
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

Harald R. Russell
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

James L. Walton
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

Thomas A. Valentine
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

Edward A. Zittel
1135 Broadway Plaza, Suite 103
Tacoma, WA 98402

ARTICLE V

Nature of Business

The nature of the business for which this Corporation is formed shall be and is that of a commercial bank to engage in and carry on a general banking business, which shall include other banking-related powers granted to the Corporation by the appropriate regulatory bodies.

ARTICLE VI

Authorized Capital Stock

The Corporation is authorized to issue, in the aggregate 10,000,000 shares, \$1 par value, of a single class of stock. The Corporation shall commence business with a capital stock account of not less than \$1,500,000 surplus of not less than \$11,500,000 and undivided profits of not less than \$2,000,000, making the minimum total investment for capital stock and undivided profits not less than \$15,000,000.

ARTICLE VII

Existence

The period of existence of the Corporation shall be perpetual.

ARTICLE VII

No Preemptive Rights

Shareholders of the Corporation shall have no preemptive rights to acquire additional shares issued by the Corporation.

ARTICLE IX

No Cumulative Voting

At each election of directors, every shareholder entitled to vote at such election has the right to vote in person or by proxy the number of shares of stock held by such shareholder for as many persons as there are directors to be elected. No cumulative voting for directors will be permitted.

ARTICLE X

Liability of Board of Directors

A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for conduct as a director, except for liability of the director for (i) acts or omissions that involve intentional misconduct or a knowing violation of law by the director, (ii) conduct which violates RCW 23B.08.310 of the Washington Business Corporation Act, pertaining to unpermitted distributions to shareholders or loans to directors, or (iii) any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If the Washington Business Corporation Act is amended to authorize corporate action further eliminating or limiting personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Washington Business Corporation Act, as so amended. Any repeal or modification of the foregoing paragraph by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE XI

Factors to be Considered by Directors Regarding Certain Transactions

The Board of Directors of the Corporation, when evaluating any offer of any other party to:

- (a) Make a tender or exchange offer to acquire any equity security of the Corporation;
- (b) Merge or consolidate the Corporation with another corporation; or

(c) Purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation;

may give, but shall not be required to give, in connection with the exercising of its judgment in determining what is in the best interests of the Corporation and its shareholders, consideration to the social and economic effects on the employees and customers of the Corporation, and the communities in which the Corporation's facilities are located and which the Corporation serves, in addition to any other factors deemed relevant by the Board.

ARTICLE XII
Change of Location of Main Office

The Board of Directors shall give the power, subject to regulatory approval, if required, to change the location of the main office to any other place within Pierce County, Washington, without the approval of the shareholders and shall have the power, subject to regulatory approval, if required, to establish or change the location of any branch or branches of the Corporation to any other location, without the approval of the shareholders.

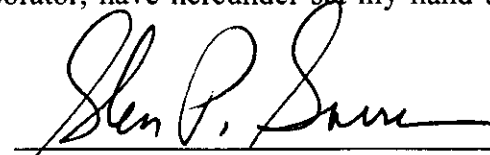
ARTICLE XIII
Amendment

The Corporation reserves the right to amend or repeal any provisions contained in these Articles of Incorporation in any manner now or hereafter permitted by law. All rights of shareholders of the Corporation and all powers of directors of the Corporation are granted subject to this reservation.

ARTICLE XIV
Registered Office and Agent

The name of the registered agent and the street address of the Corporation's initial registered office are: Glen P. Garrison, 1201 Third Avenue, Suite 3200, Seattle, WA 98101-3052.

IN WITNESS WHEREOF, I, the incorporator, have hereunder set my hand this 19th day of October, 2006.



Glen P. Garrison, Incorporator

CONSENT TO SERVE AS REGISTERED AGENT

The undersigned hereby consents to serve as Registered Agent in the State of Washington, for Commencement Bank (the "Corporation"). The undersigned understands that as agent for the Corporation, it will be its responsibility to receive service of process in the name of the Corporation; to forward all mail to the Corporation; and to immediately notify the Office of the Secretary of State in the event of its resignation, or of any changes in the registered office address of the Corporation for which it is agent.

Dated this 19th day of October, 2006.


Glen P. Garrison

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**ARTICLES OF AMENDMENT
OF
COMMENCEMENT BANK**

The following Articles of Amendment are executed by the undersigned, a Washington corporation:

1. The name of the corporation is COMMENCEMENT BANK.
2. The Articles of Incorporation of the corporation are amended as follows:

Article IV and VI of the Articles of Incorporation are deleted in their entirety and replaced by the following:

ARTICLE IV. Directors

The Board of Directors shall consist of not less than 5 nor more than 15 persons, the exact number to fixed and determined from time to time by resolution of a majority of the full Board of Directors. The term of each director, including directors selected to fill vacancies, shall expire at the next regular meeting of shareholders at which directors are elected, unless a director resigns or is removed from office. Any vacancy occurring on the Board of Directors may be filled from time to time in the manner provided by the Bylaws.

ARTICLE VI. Authorized Capital Stock

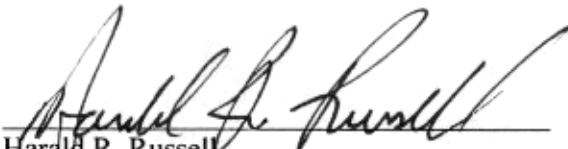
The Corporation is authorized to issue, in the aggregate 11,000,000 shares, \$1 par value, of a single class of stock.

3. The date of the adoption of the Articles of Amendment by the Board of Directors of the Corporation is JANUARY 23, 2018. Pursuant to RCW 30A.08.090, shareholder approval was not required.

4. These Articles of Amendment shall be effective upon filing.

Dated: FEBRUARY 22, 2018

COMMENCEMENT BANK


Harald R. Russell
Chief Executive Officer

APPROVED
Roberta Hollinstead
DIRECTOR OF BANKS
DEPARTMENT OF FINANCIAL INSTITUTIONS

FILED
Secretary of State
State of Washington
Date Filed: 03/07/2019
Effective Date: 03/07/2019
UBI No: 602 663 799

ARTICLES OF AMENDMENT
OF
COMMENCEMENT BANK

The following Articles of Amendment are executed by the undersigned, a Washington corporation:

1. The name of the corporation is COMMENCEMENT BANK.
2. The Articles of Incorporation of the corporation are amended as follows:

Article VI of the Articles of Incorporation is deleted in its entirety and replaced by the following:

ARTICLE VI. Authorized Capital Stock

The Corporation is authorized to issue, in the aggregate 12,100,000 shares, \$1 par value, of a single class of stock.

3. The date of the adoption of the Articles of Amendment by the Board of Directors of the Corporation is February 26, 2019. Pursuant to RCW 30A.08.090, shareholder approval was not required.

4. These Articles of Amendment shall be effective upon filing.

Dated: February 26, 2019

COMMENCEMENT BANK

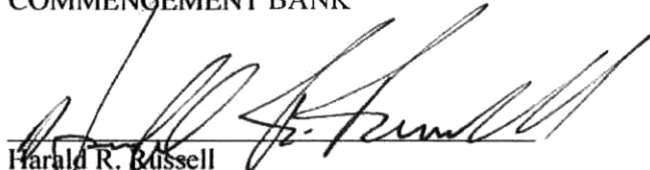

Harald R. Russell
Chief Executive Officer

Exhibit D

Dissenters' Rights Provisions and Washington Commercial Bank Act

RCW 30A.04.560

Reorganization as subsidiary of bank holding company — Dissenter's rights — Conditions.
(Effective January 5, 2018.)

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

RCW 30A.04.565

Reorganization as subsidiary of bank holding company —
Valuation of shares of dissenting shareholders.
(Effective January 5, 2018.)

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

Exhibit E

Activities Permissible for a Financial Holding Company

(12 CFR § 225.86)

The following activities are financial in nature or incidental to a financial activity:

(a) Activities determined to be closely related to banking.

(1) Any activity that the Board had determined by regulation prior to November 12, 1999, to be so closely related to banking as to be a proper incident thereto, subject to the terms and conditions contained in this part, unless modified by the Board. These activities are listed in § 225.28.

(2) Any activity that the Board had determined by an order that was in effect on November 12, 1999, to be so closely related to banking as to be a proper incident thereto, subject to the terms and conditions contained in this part and those in the authorizing orders. These activities are:

(i) Providing administrative and other services to mutual funds (Societe Generale, 84 Federal Reserve Bulletin 680 (1998));

(ii) Owning shares of a securities exchange (J.P. Morgan & Co, Inc., and UBS AG, 86 Federal Reserve Bulletin 61 (2000));

(iii) Acting as a certification authority for digital signatures and authenticating the identity of persons conducting financial and nonfinancial transactions (Bayerische Hypo- und Vereinsbank AG, et al., 86 Federal Reserve Bulletin 56 (2000));

(iv) Providing employment histories to third parties for use in making credit decisions and to depository institutions and their affiliates for use in the ordinary course of business (Norwest Corporation, 81 Federal Reserve Bulletin 732 (1995));

(v) Check cashing and wire transmission services (Midland Bank, PLC, 76 Federal Reserve Bulletin 860 (1990) (check cashing); Norwest Corporation, 81 Federal Reserve Bulletin 1130 (1995) (money transmission));

(vi) In connection with offering banking services, providing notary public services, selling postage stamps and postage-paid envelopes, providing vehicle registration services, and selling public transportation tickets and tokens (Popular, Inc., 84 Federal Reserve Bulletin 481 (1998)); and

(vii) Real estate title abstracting (The First National Company, 81 Federal Reserve Bulletin 805 (1995)).

(b) Activities determined to be usual in connection with the transaction of banking abroad. Any activity that the Board had determined by regulation in effect on November 11, 1999, to be usual in

connection with the transaction of banking or other financial operations abroad (see § 211.5(d) of this chapter), subject to the terms and conditions in part 211 and Board interpretations in effect on that date regarding the scope and conduct of the activity. In addition to the activities listed in paragraphs (a) and (c) of this section, these activities are:

(1) Providing management consulting services, including to any person with respect to nonfinancial matters, so long as the management consulting services are advisory and do not allow the financial holding company to control the person to which the services are provided;

(2) Operating a travel agency in connection with financial services offered by the financial holding company or others; and

(3) Organizing, sponsoring, and managing a mutual fund, so long as:

(i) The fund does not exercise managerial control over the entities in which the fund invests; and

(ii) The financial holding company reduces its ownership in the fund, if any, to less than 25 percent of the equity of the fund within one year of sponsoring the fund or such additional period as the Board permits.

(c) Activities permitted under section 4(k)(4) of the BHC Act (12 U.S.C. 1843(k)(4)). Any activity defined to be financial in nature under sections 4(k)(4)(A) through (E), (H) and (I) of the BHC Act (12 U.S.C. 1843(k)(4)(A) through (E), (H) and (I)).

(d) Activities determined to be financial in nature or incidental to financial activities by the Board -

(1) Acting as a finder - Acting as a finder in bringing together one or more buyers and sellers of any product or service for transactions that the parties themselves negotiate and consummate.

(i) What is the scope of finder activities? Acting as a finder includes providing any or all of the following services through any means -

(A) Identifying potential parties, making inquiries as to interest, introducing and referring potential parties to each other, and arranging contacts between and meetings of interested parties;

(B) Conveying between interested parties expressions of interest, bids, offers, orders and confirmations relating to a transaction; and

(C) Transmitting information concerning products and services to potential parties in connection with the activities described in paragraphs (d)(1)(i)(A) and (B) of this section.

(ii) What are some examples of finder services? The following are examples of the services that may be provided by a finder when done in accordance with paragraphs (d)(1)(iii) and (iv) of this section. These examples are not exclusive.

(A) Hosting an electronic marketplace on the financial holding company's Internet web site by providing hypertext or similar links to the web sites of third party buyers or sellers.

(B) Hosting on the financial holding company's servers the Internet web site of -

(1) A buyer (or seller) that provides information concerning the buyer (or seller) and the products or services it seeks to buy (or sell) and allows sellers (or buyers) to submit expressions of interest, bids, offers, orders and confirmations relating to such products or services; or

(2) A government or government agency that provides information concerning the services or benefits made available by the government or government agency, assists persons in completing applications to receive such services or benefits from the government or agency, and allows persons to transmit their applications for services or benefits to the government or agency.

(C) Operating an Internet web site that allows multiple buyers and sellers to exchange information concerning the products and services that they are willing to purchase or sell, locate potential counterparties for transactions, aggregate orders for goods or services with those made by other parties, and enter into transactions between themselves.

(D) Operating a telephone call center that provides permissible finder services.

(iii) What limitations are applicable to a financial holding company acting as a finder?

(A) A finder may act only as an intermediary between a buyer and a seller.

(B) A finder may not bind any buyer or seller to the terms of a specific transaction or negotiate the terms of a specific transaction on behalf of a buyer or seller, except that a finder may -

(1) Arrange for buyers to receive preferred terms from sellers so long as the terms are not negotiated as part of any individual transaction, are provided generally to customers or broad categories of customers, and are made available by the seller (and not by the financial holding company); and

(2) Establish rules of general applicability governing the use and operation of the finder service, including rules that -

(i) Govern the submission of bids and offers by buyers and sellers that use the finder service and the circumstances under which the finder service will match bids and offers submitted by buyers and sellers; and

(ii) Govern the manner in which buyers and sellers may bind themselves to the terms of a specific transaction.

(C) A finder may not -

(1) Take title to or acquire or hold an ownership interest in any product or service offered or sold through the finder service;

(2) Provide distribution services for physical products or services offered or sold through the finder service;

(3) Own or operate any real or personal property that is used for the purpose of manufacturing, storing, transporting, or assembling physical products offered or sold by third parties; or

(4) Own or operate any real or personal property that serves as a physical location for the physical purchase, sale or distribution of products or services offered or sold by third parties.

(D) A finder may not engage in any activity that would require the company to register or obtain a license as a real estate agent or broker under applicable law.

(iv) What disclosures are required? A finder must distinguish the products and services offered by the financial holding company from those offered by a third party through the finder service.

(2) [Reserved]

(e) Activities permitted under section 4(k)(5) of the Bank Holding Company Act (12 U.S.C. 1843(k)(5)).

(1) The following types of activities are financial in nature or incidental to a financial activity when conducted pursuant to a determination by the Board under paragraph (e)(2) of this section:

(i) Lending, exchanging, transferring, investing for others, or safeguarding financial assets other than money or securities;

(ii) Providing any device or other instrumentality for transferring money or other financial assets; and

(iii) Arranging, effecting, or facilitating financial transactions for the account of third parties.

(2) Review of specific activities -

(i) Is a specific request required? A financial holding company that wishes to engage on the basis of paragraph (e)(1) of this section in an activity that is not otherwise permissible for a financial holding company must obtain a determination from the Board that the activity is permitted under paragraph (e)(1).

(ii) Consultation with the Secretary of the Treasury. After receiving a request under this section, the Board will provide the Secretary of the Treasury with a copy of the request and consult with the Secretary in accordance with section 4(k)(2)(A) of the Bank Holding Company Act (12 U.S.C. 1843(k)(2)(A)).

(iii) Board action on requests. After consultation with the Secretary, the Board will promptly make a written determination regarding whether the specific activity described in the request is included in an activity category listed in paragraph (e)(1) of this section and is therefore either financial in nature or incidental to a financial activity.

(3) What factors will the Board consider? In evaluating a request made under this section, the Board will take into account the factors listed in section 4(k)(3) of the BHC Act (12 U.S.C. 1843(k)(3)) that it must consider when determining whether an activity is financial in nature or incidental to a financial activity.

(4) What information must the request contain? Any request by a financial holding company under this section must be in writing and must:

(i) Identify and define the activity for which the determination is sought, specifically describing what the activity would involve and how the activity would be conducted; and

(ii) Provide information supporting the requested determination, including information regarding how the proposed activity falls into one of the categories listed in paragraph (e)(1) of this section, and any other information required by the Board concerning the proposed activity.

[Reg. Y, 66 FR 415, Jan. 3, 2001, as amended at 66 FR 19081, Apr. 13, 2001]

Nonbanking Activities Permissible for a Financial Holding Company

(12 CFR § 225.28)

(a) Closely related nonbanking activities. The activities listed in paragraph (b) of this section are so closely related to banking or managing or controlling banks as to be a proper incident thereto, and may be engaged in by a bank holding company or its subsidiary in accordance with the requirements of this regulation.

(b) Activities determined by regulation to be permissible -

(1) Extending credit and servicing loans. Making, acquiring, brokering, or servicing loans or other extensions of credit (including factoring, issuing letters of credit and accepting drafts) for the company's account or for the account of others.

(2) Activities related to extending credit. Any activity usual in connection with making, acquiring, brokering or servicing loans or other extensions of credit, as determined by the Board. The Board has determined that the following activities are usual in connection with making, acquiring, brokering or servicing loans or other extensions of credit:

(i) Real estate and personal property appraising. Performing appraisals of real estate and tangible and intangible personal property, including securities.

(ii) Arranging commercial real estate equity financing. Acting as intermediary for the financing of commercial or industrial income-producing real estate by arranging for the transfer of the title, control, and risk of such a real estate project to one or more investors, if the bank holding company and its affiliates do not have an interest in, or participate in managing or developing, a real estate project for which it arranges equity financing, and do not promote or sponsor the development of the property.

(iii) Check-guaranty services. Authorizing a subscribing merchant to accept personal checks tendered by the merchant's customers in payment for goods and services, and purchasing from the merchant validly authorized checks that are subsequently dishonored.

(iv) Collection agency services. Collecting overdue accounts receivable, either retail or commercial.

(v) Credit bureau services. Maintaining information related to the credit history of consumers and providing the information to a credit grantor who is considering a borrower's application for credit or who has extended credit to the borrower.

(vi) Asset management, servicing, and collection activities. Engaging under contract with a third party in asset management, servicing, and collection³ of assets of a type that an insured depository institution may originate and own, if the company does not engage in real property management or real estate brokerage services as part of these services.

³ Asset management services include acting as agent in the liquidation or sale of loans and collateral for loans, including real estate and other assets acquired through foreclosure or in satisfaction of debts previously contracted.

(vii) Acquiring debt in default. Acquiring debt that is in default at the time of acquisition, if the company:

(A) Divests shares or assets securing debt in default that are not permissible investments for bank holding companies, within the time period required for divestiture of property acquired in satisfaction of a debt previously contracted under § 225.12(b); ⁴

⁴ For this purpose, the divestiture period for property begins on the date that the debt is acquired, regardless of when legal title to the property is acquired.

(B) Stands only in the position of a creditor and does not purchase equity of obligors of debt in default (other than equity that may be collateral for such debt); and

(C) Does not acquire debt in default secured by shares of a bank or bank holding company.

(viii) Real estate settlement servicing. Providing real estate settlement services. ⁵

⁵ For purposes of this section, real estate settlement services do not include providing title insurance as principal, agent, or broker.

(3) Leasing personal or real property. Leasing personal or real property or acting as agent, broker, or adviser in leasing such property if:

(i) The lease is on a nonoperating basis; ⁶

⁶ The requirement that the lease be on a nonoperating basis means that the bank holding company may not, directly or indirectly, engage in operating, servicing, maintaining, or repairing leased property during the lease term. For purposes of the leasing of automobiles, the requirement that the lease be on a nonoperating basis means that the bank holding company may not, directly or indirectly: (1) Provide servicing, repair, or maintenance of the leased vehicle during the lease term; (2) purchase parts and accessories in bulk or for an individual vehicle after the lessee has taken delivery of the vehicle; (3) provide the loan of an automobile during servicing of the leased vehicle; (4) purchase insurance for the lessee; or (5) provide for the renewal of the vehicle's license merely as a service to the lessee where the lessee could renew the license without authorization from the lessor. The bank holding company may arrange for a third party to provide these services or products.

(ii) The initial term of the lease is at least 90 days;

(iii) In the case of leases involving real property:

(A) At the inception of the initial lease, the effect of the transaction will yield a return that will compensate the lessor for not less than the lessor's full investment in the property plus the estimated total cost of financing the property over the term of the lease from rental payments, estimated tax benefits, and the estimated residual value of the property at the expiration of the initial lease; and

(B) The estimated residual value of property for purposes of paragraph (b)(3)(iii)(A) of this section shall not exceed 25 percent of the acquisition cost of the property to the lessor.

(4) Operating nonbank depository institutions -

(i) Industrial banking. Owning, controlling, or operating an industrial bank, Morris Plan bank, or industrial loan company, so long as the institution is not a bank.

(ii) Operating savings association. Owning, controlling, or operating a savings association, if the savings association engages only in deposit-taking activities, lending, and other activities that are permissible for bank holding companies under this subpart C.

(5) Trust company functions. Performing functions or activities that may be performed by a trust company (including activities of a fiduciary, agency, or custodial nature), in the manner authorized by federal or state law, so long as the company is not a bank for purposes of section 2(c) of the Bank Holding Company Act.

(6) Financial and investment advisory activities. Acting as investment or financial advisor to any person, including (without, in any way, limiting the foregoing):

(i) Serving as investment adviser (as defined in section 2(a)(20) of the Investment Company Act of 1940, 15 U.S.C. 80a-2(a)(20)), to an investment company registered under that act, including sponsoring, organizing, and managing a closed-end investment company;

(ii) Furnishing general economic information and advice, general economic statistical forecasting services, and industry studies;

(iii) Providing advice in connection with mergers, acquisitions, divestitures, investments, joint ventures, leveraged buyouts, recapitalizations, capital structurings, financing transactions and similar transactions, and conducting financial feasibility studies;⁷

⁷ Feasibility studies do not include assisting management with the planning or marketing for a given project or providing general operational or management advice.

(iv) Providing information, statistical forecasting, and advice with respect to any transaction in foreign exchange, swaps, and similar transactions, commodities, and any forward contract, option, future, option on a future, and similar instruments;

(v) Providing educational courses, and instructional materials to consumers on individual financial management matters; and

(vi) Providing tax-planning and tax-preparation services to any person.

(7) Agency transactional services for customer investments -

(i) Securities brokerage. Providing securities brokerage services (including securities clearing and/or securities execution services on an exchange), whether alone or in combination with investment advisory services, and incidental activities (including related securities credit activities and custodial services), if the securities brokerage services are restricted to buying and selling securities solely as agent for the account of customers and do not include securities underwriting or dealing.

(ii) Riskless principal transactions. Buying and selling in the secondary market all types of securities on the order of customers as a “riskless principal” to the extent of engaging in a transaction in which the company, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer. This does not include:

(A) Selling bank-ineligible securities ⁸ at the order of a customer that is the issuer of the securities, or selling bank-ineligible securities in any transaction where the company has a contractual agreement to place the securities as agent of the issuer; or

⁸ A bank-ineligible security is any security that a State member bank is not permitted to underwrite or deal in under 12 U.S.C. 24 and 335.

(B) Acting as a riskless principal in any transaction involving a bank-ineligible security for which the company or any of its affiliates acts as underwriter (during the period of the underwriting or for 30 days thereafter) or dealer. ⁹

⁹ A company or its affiliates may not enter quotes for specific bank-ineligible securities in any dealer quotation system in connection with the company's riskless principal transactions; except that the company or its affiliates may enter “bid” or “ask” quotations, or publish “offering wanted” or “bid wanted” notices on trading systems other than NASDAQ or an exchange, if the company or its affiliate does not enter price quotations on different sides of the market for a particular security during any two-day period.

(iii) Private placement services. Acting as agent for the private placement of securities in accordance with the requirements of the Securities Act of 1933 (1933 Act) and the rules of

the Securities and Exchange Commission, if the company engaged in the activity does not purchase or repurchase for its own account the securities being placed, or hold in inventory unsold portions of issues of these securities.

(iv) Futures commission merchant. Acting as a futures commission merchant (FCM) for unaffiliated persons in the execution, clearance, or execution and clearance of any futures contract and option on a futures contract traded on an exchange in the United States or abroad if:

(A) The activity is conducted through a separately incorporated subsidiary of the bank holding company, which may engage in activities other than FCM activities (including, but not limited to, permissible advisory and trading activities); and

(B) The parent bank holding company does not provide a guarantee or otherwise become liable to the exchange or clearing association other than for those trades conducted by the subsidiary for its own account or for the account of any affiliate.

(v) Other transactional services. Providing to customers as agent transactional services with respect to swaps and similar transactions, any transaction described in paragraph (b)(8) of this section, any transaction that is permissible for a state member bank, and any other transaction involving a forward contract, option, futures, option on a futures or similar contract (whether traded on an exchange or not) relating to a commodity that is traded on an exchange.

(8) Investment transactions as principal -

(i) Underwriting and dealing in government obligations and money market instruments. Underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations that state member banks of the Federal Reserve System may be authorized to underwrite and deal in under 12 U.S.C. 24 and 335, including banker's acceptances and certificates of deposit, under the same limitations as would be applicable if the activity were performed by the bank holding company's subsidiary member banks or its subsidiary nonmember banks as if they were member banks.

(ii) Investing and trading activities. Engaging as principal in:

(A) Foreign exchange;

(B) Forward contracts, options, futures, options on futures, swaps, and similar contracts, whether traded on exchanges or not, based on any rate, price, financial asset (including gold, silver, platinum, palladium, copper, or any other metal approved by the Board), nonfinancial asset, or group of assets, other than a bank-ineligible security,¹⁰ if:

¹⁰ A bank-ineligible security is any security that a state member bank is not permitted to underwrite or deal in under 12 U.S.C. 24 and 335.

(1) A state member bank is authorized to invest in the asset underlying the contract;

(2) The contract requires cash settlement;

(3) The contract allows for assignment, termination, or offset prior to delivery or expiration, and the company -

(i) Makes every reasonable effort to avoid taking or making delivery of the asset underlying the contract; or

(ii) Receives and instantaneously transfers title to the underlying asset, by operation of contract and without taking or making physical delivery of the asset; or

(4) The contract does not allow for assignment, termination, or offset prior to delivery or expiration and is based on an asset for which futures contracts or options on futures contracts have been approved for trading on a U.S. contract market by the Commodity Futures Trading Commission, and the company -

(i) Makes every reasonable effort to avoid taking or making delivery of the asset underlying the contract; or

(ii) Receives and instantaneously transfers title to the underlying asset, by operation of contract and without taking or making physical delivery of the asset.

(C) Forward contracts, options, ¹¹ futures, options on futures, swaps, and similar contracts, whether traded on exchanges or not, based on an index of a rate, a price, or the value of any financial asset, nonfinancial asset, or group of assets, if the contract requires cash settlement.

¹¹ This reference does not include acting as a dealer in options based on indices of bank-ineligible securities when the options are traded on securities exchanges. These options are securities for purposes of the federal securities laws and bank-ineligible securities for purposes of section 20 of the Glass-Steagall Act, 12 U.S.C. 337. Similarly, this reference does not include acting as a dealer in any other instrument that is a bank-ineligible security for purposes of section 20. A bank holding company may deal in these instruments in accordance with the Board's orders on dealing in bank-ineligible securities.

(iii) Buying and selling bullion, and related activities. Buying, selling and storing bars, rounds, bullion, and coins of gold, silver, platinum, palladium, copper, and any other metal approved by the Board, for the company's own account and the account of others, and

providing incidental services such as arranging for storage, safe custody, assaying, and shipment.

(9) Management consulting and counseling activities -

(i) Management consulting.

(A) Providing management consulting advice: ¹²

¹² In performing this activity, bank holding companies are not authorized to perform tasks or operations or provide services to client institutions either on a daily or continuing basis, except as necessary to instruct the client institution on how to perform such services for itself. See also the Board's interpretation of bank management consulting advice (12 CFR 225.131).

(1) On any matter to unaffiliated depository institutions, including commercial banks, savings and loan associations, savings banks, credit unions, industrial banks, Morris Plan banks, cooperative banks, industrial loan companies, trust companies, and branches or agencies of foreign banks;

(2) On any financial, economic, accounting, or audit matter to any other company.

(B) A company conducting management consulting activities under this subparagraph and any affiliate of such company may not:

(1) Own or control, directly or indirectly, more than 5 percent of the voting securities of the client institution; and

(2) Allow a management official, as defined in 12 CFR 212.2(h), of the company or any of its affiliates to serve as a management official of the client institution, except where such interlocking relationship is permitted pursuant to an exemption granted under 12 CFR 212.4(b) or otherwise permitted by the Board.

(C) A company conducting management consulting activities may provide management consulting services to customers not described in paragraph (b)(9)(i)(A)(1) of this section or regarding matters not described in paragraph (b)(9)(i)(A)(2) of this section, if the total annual revenue derived from those management consulting services does not exceed 30 percent of the company's total annual revenue derived from management consulting activities.

(ii) Employee benefits consulting services. Providing consulting services to employee benefit, compensation and insurance plans, including designing plans, assisting in the implementation of plans, providing administrative services to plans, and developing employee communication programs for plans.

(iii) Career counseling services. Providing career counseling services to:

(A) A financial organization¹³ and individuals currently employed by, or recently displaced from, a financial organization;

¹³ Financial organization refers to insured depository institution holding companies and their subsidiaries, other than nonbanking affiliates of diversified savings and loan holding companies that engage in activities not permissible under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1842(c)(8)).

(B) Individuals who are seeking employment at a financial organization; and

(C) Individuals who are currently employed in or who seek positions in the finance, accounting, and audit departments of any company.

(10) Support services -

(i) Courier services. Providing courier services for:

(A) Checks, commercial papers, documents, and written instruments (excluding currency or bearer-type negotiable instruments) that are exchanged among banks and financial institutions; and

(B) Audit and accounting media of a banking or financial nature and other business records and documents used in processing such media.¹⁴

¹⁴ See also the Board's interpretation on courier activities (12 CFR 225.129), which sets forth conditions for bank holding company entry into the activity.

(ii) Printing and selling MICR-encoded items. Printing and selling checks and related documents, including corporate image checks, cash tickets, voucher checks, deposit slips, savings withdrawal packages, and other forms that require Magnetic Ink Character Recognition (MICR) encoding.

(11) Insurance agency and underwriting -

(i) Credit insurance. Acting as principal, agent, or broker for insurance (including home mortgage redemption insurance) that is:

(A) Directly related to an extension of credit by the bank holding company or any of its subsidiaries; and

(B) Limited to ensuring the repayment of the outstanding balance due on the extension of credit¹⁵ in the event of the death, disability, or involuntary unemployment of the debtor.

¹⁵ Extension of credit includes direct loans to borrowers, loans purchased from other lenders, and leases of real or personal property so long as the leases are nonoperating and full-payout leases that meet the requirements of paragraph (b)(3) of this section.

(ii) Finance company subsidiary. Acting as agent or broker for insurance directly related to an extension of credit by a finance company¹⁶ that is a subsidiary of a bank holding company, if:

¹⁶ Finance company includes all non-deposit-taking financial institutions that engage in a significant degree of consumer lending (excluding lending secured by first mortgages) and all financial institutions specifically defined by individual states as finance companies and that engage in a significant degree of consumer lending.

(A) The insurance is limited to ensuring repayment of the outstanding balance on such extension of credit in the event of loss or damage to any property used as collateral for the extension of credit; and

(B) The extension of credit is not more than \$10,000, or \$25,000 if it is to finance the purchase of a residential manufactured home¹⁷ and the credit is secured by the home; and

¹⁷ These limitations increase at the end of each calendar year, beginning with 1982, by the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics.

(C) The applicant commits to notify borrowers in writing that:

(1) They are not required to purchase such insurance from the applicant;

(2) Such insurance does not insure any interest of the borrower in the collateral;
and

(3) The applicant will accept more comprehensive property insurance in place of such single-interest insurance.

(iii) Insurance in small towns. Engaging in any insurance agency activity in a place where the bank holding company or a subsidiary of the bank holding company has a lending office and that:

(A) Has a population not exceeding 5,000 (as shown in the preceding decennial census); or

(B) Has inadequate insurance agency facilities, as determined by the Board, after notice and opportunity for hearing.

(iv) Insurance-agency activities conducted on May 1, 1982. Engaging in any specific insurance-agency activity¹⁸ if the bank holding company, or subsidiary conducting the

specific activity, conducted such activity on May 1, 1982, or received Board approval to conduct such activity on or before May 1, 1982.¹⁹ A bank holding company or subsidiary engaging in a specific insurance agency activity under this clause may:

¹⁸ Nothing contained in this provision shall preclude a bank holding company subsidiary that is authorized to engage in a specific insurance-agency activity under this clause from continuing to engage in the particular activity after merger with an affiliate, if the merger is for legitimate business purposes and prior notice has been provided to the Board.

¹⁹ For the purposes of this paragraph, activities engaged in on May 1, 1982, include activities carried on subsequently as the result of an application to engage in such activities pending before the Board on May 1, 1982, and approved subsequently by the Board or as the result of the acquisition by such company pursuant to a binding written contract entered into on or before May 1, 1982, of another company engaged in such activities at the time of the acquisition.

(A) Engage in such specific insurance agency activity only at locations:

(1) In the state in which the bank holding company has its principal place of business (as defined in 12 U.S.C. 1842(d));

(2) In any state or states immediately adjacent to such state; and

(3) In any state in which the specific insurance-agency activity was conducted (or was approved to be conducted) by such bank holding company or subsidiary thereof or by any other subsidiary of such bank holding company on May 1, 1982; and

(B) Provide other insurance coverages that may become available after May 1, 1982, so long as those coverages insure against the types of risks as (or are otherwise functionally equivalent to) coverages sold or approved to be sold on May 1, 1982, by the bank holding company or subsidiary.

(v) Supervision of retail insurance agents. Supervising on behalf of insurance underwriters the activities of retail insurance agents who sell:

(A) Fidelity insurance and property and casualty insurance on the real and personal property used in the operations of the bank holding company or its subsidiaries; and

(B) Group insurance that protects the employees of the bank holding company or its subsidiaries.

(vi) Small bank holding companies. Engaging in any insurance-agency activity if the bank holding company has total consolidated assets of \$50 million or less. A bank holding company performing insurance-agency activities under this paragraph may not engage in the sale of life insurance or annuities except as provided in paragraphs (b)(11) (i) and (iii) of this section, and it may not continue to engage in insurance-agency activities pursuant

to this provision more than 90 days after the end of the quarterly reporting period in which total assets of the holding company and its subsidiaries exceed \$50 million.

(vii) Insurance-agency activities conducted before 1971. Engaging in any insurance-agency activity performed at any location in the United States directly or indirectly by a bank holding company that was engaged in insurance-agency activities prior to January 1, 1971, as a consequence of approval by the Board prior to January 1, 1971.

(12) Community development activities -

(i) Financing and investment activities. Making equity and debt investments in corporations or projects designed primarily to promote community welfare, such as the economic rehabilitation and development of low-income areas by providing housing, services, or jobs for residents.

(ii) Advisory activities. Providing advisory and related services for programs designed primarily to promote community welfare.

(13) Money orders, savings bonds, and traveler's checks. The issuance and sale at retail of money orders and similar consumer-type payment instruments; the sale of U.S. savings bonds; and the issuance and sale of traveler's checks.

(14) Data processing.

(i) Providing data processing, data storage and data transmission services, facilities (including data processing, data storage and data transmission hardware, software, documentation, or operating personnel), databases, advice, and access to such services, facilities, or data-bases by any technological means, if:

(A) The data to be processed, stored or furnished are financial, banking or economic; and

(B) The hardware provided in connection therewith is offered only in conjunction with software designed and marketed for the processing, storage and transmission of financial, banking, or economic data, and where the general purpose hardware does not constitute more than 30 percent of the cost of any packaged offering.

(ii) A company conducting data processing, data storage, and data transmission activities may conduct data processing, data storage, and data transmission activities not described in paragraph (b)(14)(i) of this section if the total annual revenue derived from those activities does not exceed 49 percent of the company's total annual revenues derived from data processing, data storage and data transmission activities.

[Reg. Y, 62 FR 9329, Feb. 28, 1997, as amended at 68 FR 39810, July 3, 2003; 68 FR 41901, July 16, 2003; 68 FR 68499, Dec. 9, 2003]

Exhibit F

COMMENCEMENT BANK EMPLOYEE STOCK PURCHASE PLAN

COMMENCEMENT BANK

EMPLOYEE STOCK PURCHASE PLAN

1. Purpose. The purpose of the Commencement Bank Employee Stock Purchase Plan (the “Plan”) is to provide Employees of the Company and its Designated Subsidiaries with an opportunity to acquire a stock ownership interest in the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an “Employee Stock Purchase Plan” under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan, accordingly, shall be construed as to extend and limit participation in a manner consistent with the requirements of the Code.
2. Definitions.
 - (a) “Administrator” shall mean the Board, or committee designated by the Board to which authority to administer the Plan has been delegated.
 - (b) “Board” shall mean the Board of Directors of the Company.
 - (c) “Code” shall mean the Internal Revenue Code of 1986, as amended.
 - (d) “Common Stock” shall mean the Common Stock of the Company.
 - (e) “Company” shall mean Commencement Bank, a Washington corporation.
 - (f) “Compensation” shall mean base wages, commissions, payments for overtime, incentive compensation, bonuses and other compensation.
 - (g) “Designated Subsidiary” shall mean any Subsidiary which has been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.
 - (h) “Effective Date” shall mean the date the Plan is approved by the shareholders of the Company in accordance with the Company’s bylaws, articles of incorporation and applicable state law and within twelve months of the date the Plan is adopted by the Board.
 - (i) “Eligible Employee” shall mean any individual who is an Employee of the Company for tax purposes whose customary employment with the Company is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds three (3) months and the individual’s right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three (3)-month period.
 - (j) “Employee” shall mean any person who renders services to the Company or a Designated Subsidiary in the status of an employee within the meaning of Section 3401(c) of the Code. “Employee” shall not include any director of the Company or a Designated Subsidiary who does not render services to the Company or a Designated Subsidiary in the status of an employee within the meaning of Section 3401(c) of the Code.
 - (k) “Enrollment Date” shall mean the first day of each Offering Period.
 - (l) “Exercise Date” shall mean the last day of each Offering Period.
 - (m) “Fair Market Value” shall mean, as of any date, the value of Common Stock determined as follows:

- (1) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the NASDAQ Global Select Market, the NASDAQ Global Market, the NASDAQ Capital Market of the NASDAQ Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or if the stock exchange on which the Common Stock trades is not open on the day of determination, the last business day prior to the day of determination, or;
 - (2) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Common Stock on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;
 - (3) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.
- (n) "Offering Period" shall mean a period of approximately three (3) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after March 16, June 16, September 16 and December 16, and terminating on the last Trading Day in the period on or before March 15, June 15, September 15 and December 15. The duration of the Offering Periods may be changed pursuant to Section 4 of this Plan.
 - (o) "Option" shall mean the right to purchase shares of Common Stock pursuant to the Plan during each Offering Period.
 - (p) "Option Price" shall mean an amount equal to 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower.
 - (q) "Participant" shall mean any Eligible Employee who elects to participate in the Plan.
 - (r) "Plan" shall mean this Employee Stock Purchase Plan, including any appendices hereto.
 - (s) "Plan Account" shall mean a bookkeeping account established and maintained by the Company in the name of each Participant.
 - (t) "Reserves" shall mean the number of shares of Common Stock covered by each option under the Plan which have not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option.
 - (u) "Subsidiary" Shall mean a corporation of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such a corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.
 - (v) "Trading Day" shall mean a day on which the national stock exchanges, including the NASDAQ Stock Market, are open for trading.
3. Eligibility
- (a) Any Employee who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan, subject to limitations imposed by Section 423(b) of the Code and the Treasury Regulations thereunder.
 - (b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (1) to the extent that, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase five percent (5%) or more of the total combined voting power or value of all

classes of the capital stock of the Company or of any Subsidiary, or (2) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries accrues at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at the time. All Employees who participate in the Plan shall have the same rights and privileges under the Plan within the meaning of Code Section 423(b)(5).

4. Offering Periods. The Plan shall be implemented by consecutive Offering Periods with a new Offering Period commencing on the First Trading Day on or after March 16, June 16, September 16 and December 16 each year, or on such other date as the Board shall determine, and continuing thereafter until terminated in accordance with Section 19 hereof. The Board shall have the power to change the duration of the Offering Periods (including the commencement dates thereof) with respect to future offerings without shareholder approval if such change is announced at least 5 days prior to the scheduled beginning of the first Offering Period to be affected thereafter.
5. Participation
 - (a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan and filing it with the Company's payroll office no later than the applicable Enrollment Date or by following an electronic or other enrollment process as prescribed by the Board.
 - (b) Payroll deductions for a participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 11 hereof.
6. Payroll Deductions
 - (a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not less than one percent (1%) but not exceeding ten percent (10%) of the Compensation which he or she receives on each pay day during the Offering Period, and must be expressed in whole number percentages and shall be credited to the participant's Plan Account.
 - (b) All payroll deductions made for a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A participant may not make additional payments into such Plan account.
 - (c) A participant may discontinue his or her participation in the Plan as provided in Section 11 hereof, or may increase or decrease the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The Board may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in rate shall be effective with the first full payroll period following five (5) business days after the Company's receipt of the new subscription agreement. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 11 hereof.
 - (d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a participant's payroll deductions may be decreased to zero

percent (0%) at any time during an Offering Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 11 hereof.

- (e) At the time the option is exercised, in whole or in part, at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation that amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Employee.

7. Grant of Option. On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Date of such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's Plan account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall an Employee be permitted to purchase during each Offering Period more than 2,500 shares (subject to any adjustment pursuant to Section 18), and provided further that such purchase shall be subject to the limitations set forth in Section 3(b) and 13 hereof. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 11 hereof. The Option shall expire on the last day of the Offering Period.
8. Exercise Of Option. Unless a participant withdraws from the Plan as provided in Section 11 hereof, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her Plan account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's Plan account which are not sufficient to purchase a full share shall be retained in the participant's Plan account for the subsequent Offering Period, subject to earlier withdrawal by the participant in Section 11 hereof. Any other monies left over in a participant's Plan account after the Exercise Date shall be returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.
9. Delivery. As soon as practicable after the exercise of an option, the Company shall deliver to the Participant a record of the shares purchased, with shares deposited directly with a broker designated by the Board or its committee or to a designated agent of the Company, and the Board or its committee may utilize electronic or automated methods of share transfer. The Board or its committee may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares.
10. Transferability of Rights. An Option granted under the Plan shall not be transferable and is exercisable only by the Participant. No option or interest or right to the option shall be available to pay off any debts, contracts or engagements of the Participant or his or her successors in

interest or shall be subject to disposition by pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempt at disposition of the option shall have no effect.

11. Withdrawal

- (a) A participant may withdraw all but not less than all the payroll deductions credited to his or her Plan account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B to this Plan. All of the participant's payroll deductions credited to his or her Plan account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the Participant delivers to the Company a new subscription agreement.
- (b) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

12. Termination of Employment. Upon a participant's ceasing to be an Eligible Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such participant's Plan Account during the Offering Period but not yet used to exercise the option shall be returned to such participant as soon as reasonably practicable and such participant's option shall be automatically terminated.

13. Interest. No interest shall accrue on the payroll deductions of a participant in the Plan.

14. Stock

- (a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 100,000 shares, subject to adjustment upon changes in the capitalization of the Company as provided in Section 18 hereof. If, on a given Exercise Date, the number of shares with respect to which options are to be exercised exceeds the number of shares then available under the Plan, the Company shall make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.
- (b) The participant shall have no interest or voting right in shares covered by his option until such option has been exercised.
- (c) Shares to be delivered to a participant under the Plan shall be authorized but unissued or reacquired shares reserved for issuance under the Plan.

15. Administration. The Plan shall be administered by the Board or a committee of members appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties.

16. Reports. Individual Plan accounts shall be maintained for each participant in the Plan. Statements of Plan accounts shall be issued to participating Employees at least annually, which

statements shall set forth the amounts of payroll deductions, the option price, the number of shares purchased and the remaining cash balance, if any.

17. Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale

- (a) Changes in Capitalization Subject to any required action by the shareholders of the Company, the Reserves, the maximum number of shares each participant may purchase per Offering Period (pursuant to Section 7), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such proportionate adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.
- (b) Dissolution or Liquidation In the event of the proposed dissolution or liquidation of the Company, the Offering Period shall terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board.
- (c) Merger or Asset Sale In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date"). The New Exercise Date shall be before the date of the Company's proposed sale or merger. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 11 hereof.

18. Amendment and Termination of the Plan

- (a) The Board may, in its sole discretion, amend, suspend or terminate the Plan at any time and from time to time; provided, however, that without approval of the Company's shareholders given within 12 months before or after action by the Board, the Plan may not be amended to increase the maximum number of shares subject to the Plan or change the designation or class of Eligible Employees.
- (b) Without shareholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Administrator shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts

applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the Plan.

- (c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:
 - a. altering the Option Price for any Offering Period including an Offering Period underway at the time of the change in Option Price;
 - b. shortening any Offering Period so that the Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Administrator's action; and
 - c. allocating shares of Common Stock.
 - (d) Upon termination of the Plan, the balance in each Participant's Plan Account shall be refunded as soon as practicable after such termination, without any interest thereon.
19. Use of Funds; No Interest Paid. All funds received by the Company by reason of purchase of Common Stock under the Plan will be included in the general funds of the Company free of any trust or other restriction and may be used for any corporate purpose. No interest will be paid to any Participant or credited under the Plan.
20. Term; Approval by Shareholders. The Plan shall terminate on the tenth anniversary of the date of its initial approval by the shareholders of the Company, unless earlier terminated by action of the Board. No Option may be granted during any period of suspension of the Plan or after termination of the Plan. The Plan will be submitted for the approval of the Company's shareholders within 12 months after the date of the Board's initial adoption of the Plan. No Options shall be granted until and unless the Plan has been approved by the shareholders of the Company.
21. Notices All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.
22. Securities Compliance. The shares of Common Stock to be issued pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), and if the Bank has not been reorganized as a bank holding company at the time the Award Shares vest, the Award Shares will be issued to the Recipient in reliance upon the exemption from such registration provided by Section 3(2) of the 1933 Act. If Section 3(2) of the 1933 Act applies, these shares shall be freely transferable upon vesting.

If, prior to the vesting of the Award Shares, the Bank has been reorganized as a bank holding company, the shares of Common Stock to be issued will not be registered under the 1933 Act and will be issued to the Recipient in reliance upon the exemption from such registration provided by Section 4(2) of the 1933 Act.

If the shares are issued in reliance upon the exemption from registration provided by Section 4(2) of the 1933 Act, Recipient acknowledges that Recipient has been informed that the securities may

not be sold or transferred unless such shares are first registered under the federal securities laws or unless an exemption from such registration is available.

If the Award Shares are issued in reliance upon the exemption provided by Section 4(2) of the 1933 Act, in order to reflect the restrictions on disposition of the Award Shares issued pursuant to this Agreement, the stock certificates for the shares will be endorsed with a restrictive legend, in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") AND ARE "RESTRICTED SECURITIES" AS DEFINED IN RULE 144 PROMULGATED UNDER THE ACT. THEY MAY NOT BE SOLD OR OFFERED FOR SALE OR OTHERWISE DISTRIBUTED EXCEPT IN CONJUNCTION WITH AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE ACT, OR EVIDENCE SATISFACTORY TO THE BANK OF AN EXEMPTION THEREFROM.

If required by the authorities of any state in connection with the issuance of the shares, the legend or legends required by such state authorities will also be endorsed on all such certificates.

23. Condition of Employment. Neither the creation of the Plan nor an Employee's participation therein shall be deemed to create a contract of employment, any right of continued employment or in any way affect the right of the Company or a Subsidiary to terminate an Employee at any time with or without cause.
24. Governing Law This Plan shall be governed by the applicable laws of the State of Washington and applicable federal law.

EXHIBIT A
COMMENCEMENT BANK
EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT

_____ Original Application

Enrollment Date: _____

_____ Change in Payroll Deduction Rate

1. _____ hereby elects to participate in the Commencement Bank Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") and subscribes to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the Employee's Stock Purchase Plan.
2. I hereby authorize payroll deductions from each paycheck in the amount of _____% of my Compensation on each payday (from 1% to 10%) during the Offering Period in accordance with the Employee Stock Purchase Plan. (Please note that no fractional percentages are permitted.)
3. I understand that said payroll deductions shall be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the Employee Stock Purchase Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option.
4. I have received a copy of the complete Employee Stock Purchase Plan. I understand that my participation in the Employee Stock Purchase Plan is in all respects subject to the terms of the Plan.
5. Shares purchased for me under the Employee Stock Purchase Plan should be issued in the name(s) of (Employee): _____
6. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Enrollment Date (the first day of the Offering Period during which I have purchased such shares), I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of fair market value of the shares at the time such shares were disposed by me over the price which I paid for the shares. I hereby agree to notify the Company in writing within 30 days after the date of any disposition of shares and I will make adequate provision for Federal, state or other tax withholding obligations, if any, which arise on the disposition of the Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me. If I dispose of such shares at any time after the expiration of the 2-year holding period, I understand that I will be treated for federal income tax purposes as having income only at the time of such disposition, and that such income will be taxed at ordinary income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of such

disposition over the purchase price I paid for the shares, or (2) 15% of the fair market value of the shares on the first day of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as a capital gain.

7. I hereby agree to be bound by the terms of the Employee Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Employee Stock Purchase Plan.

NAME: (Please Print)

(First)

(Middle)

(Last)

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TEMINATED BY ME.

Dated: _____

Signature _____

DESIGNATION OF BENEFICIARY
FOR THE
COMMENCEMENT BANK
EMPLOYEE STOCK PURCHASE PLAN

Participant's Name (please print):

Primary Beneficiary(ies)

Pursuant to the provisions of the Commencement Bank Employee Stock Purchase Plan (the "Plan") permitting the designation of a beneficiary or beneficiaries by a Plan participant, I hereby designate the following person(s) or entities as primary beneficiaries of my total Plan benefit payable by reason of my death:

_____ Name	_____ Name	_____ Name
_____ Relationship	_____ Relationship	_____ Relationship
_____ Address:	_____ Address:	_____ Address:
_____ _____	_____ _____	_____ _____
_____ _____	_____ _____	_____ _____
_____ Social Security Number:	_____ Social Security Number:	_____ Social Security Number:
_____ DOB: _____	_____ DOB: _____	_____ DOB: _____
_____ Percentage Share: _____	_____ Percentage Share: _____	_____ Percentage Share: _____

If you do not indicate a percentage share, the benefit will be divided equally among all beneficiaries listed in this section. If the sum of the percentage shares does not equal 100%, the benefit will be divided in proportion to the percentages listed. Additional beneficiary forms provided on request.

PLEASE NOTE: If a Qualified Domestic Relations Order requires that a portion of your vested Plan benefit be paid to another person, the Plan will be obligated to pay such amounts in accordance with the order.

Contingent Beneficiary(ies)

In the event none of the Primary Beneficiaries listed above outlive you, the total Plan benefit will be paid to the Contingent Beneficiaries named below:

_____ Name	_____ Name	_____ Name
_____ Relationship	_____ Relationship	_____ Relationship
_____ Address:	_____ Address:	_____ Address:
_____ _____	_____ _____	_____ _____
_____ _____	_____ _____	_____ _____
_____ Social Security Number:	_____ Social Security Number:	_____ Social Security Number:
_____ DOB: _____	_____ DOB: _____	_____ DOB: _____
_____ Percentage Share: _____	_____ Percentage Share: _____	_____ Percentage Share: _____

If you do not indicate a percentage share, the benefit will be divided equally among all beneficiaries listed in this section. If the sum of the percentage shares does not equal 100%, the benefit will be divided in proportion to the percentages listed. Additional beneficiary forms provided on request.

PLEASE NOTE: If a Qualified Domestic Relations Order requires that a portion of your vested Plan benefit be paid to another person, the Plan will be obligated to pay such amounts in accordance with the order.

I hereby revoke all prior beneficiary designations I have made with respect to this plan and reserve the right to revoke or change any beneficiary designation I make.

Participant's signature and date

A Participant's spouse's consent is required if the Participant names an entity or person other than the spouse to receive any part of the Plan benefit payable upon the Participant's death. The spouse's consent must be voluntary and must be notarized or witnessed by a Plan representative. If you are single, or you are married and named your spouse as the sole primary beneficiary, check here _____ and do not complete the remainder of this form.

COMPLETE ONLY IF PARTICIPANT NAMES AN ENTITY OR PERSON OTHER THAN THE SPOUSE OF THE PARTICIPANT TO RECEIVE ANY PART OF THE PLAN BENEFIT

CONSENT OF SPOUSE

I, the undersigned spouse of the Participant named on the above "Designation of Beneficiary," certify I have read the Designation of Beneficiary form. I understand that:

1. My spouse has named an entity or a person other than me to receive benefits from the Plan upon my spouse's death. These benefits may consist of community property in which I have an interest.
2. The designation of beneficiary other than me will cause some or all of any benefits that are payable from the Plan upon my spouse's death to be paid to the named beneficiary other than me.
3. If I do not voluntarily consent to my spouse's beneficiary designation, the designation will be invalid and I will receive any benefits that may be payable from the Plan upon my spouse's death.

I voluntarily consent to and join in the Beneficiary Designation made by my spouse, without regard to whether I survive or predecease my spouse. This consent is irrevocable unless my spouse changes the designation. If my spouse changes the designation, I understand I must file a similar consent to the new designation or my consent is no longer effective.

Signature of Participant's Spouse

Date

STATE OF _____)
)
COUNTY OF _____)

On the _____ day of _____, 20____ before me came _____ to be known and known to me to be the person described in and who executed the above statement and (s)he duly acknowledged to me that (s)he executed same.

NOTARY PUBLIC in and for the State
of _____ residing at

My Commission expires:_____

EXHIBIT B
COMMENCEMENT BANK
EMPLOYEE STOCK PURCHASE PLAN
NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the Commencement Employee Stock Purchase Plan which began on _____ (the "Enrollment Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she directs the Company to pay the undersigned as promptly as practicable all payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned shall be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

NAME: (Please print) _____

Dated: _____

Signature _____