

**This Joint Proxy Statement/Offering Circular is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer, solicitation or sale is not permitted or would be unlawful under the securities laws of any such jurisdiction. Any representation to the contrary is a criminal offense.**



**FIRST ULB CORP.**

**100 Hegenberger Road, Suite 220  
Oakland, California 94621  
(510) 567-6900**



**500 Ygnacio Valley Road, Suite 200  
Walnut Creek, California 94596  
(925) 476-1800**

### **MERGER PROPOSED -- YOUR VOTE IS VERY IMPORTANT**

The boards of directors of BayCom Corp, Bay Commercial Bank (“BC Bank”), First ULB Corp. (“First ULB”) and United Business Bank, FSB (“UB Bank”) have approved an Agreement and Plan of Reorganization and Merger dated December 14, 2016 (the “Merger Agreement”), under which First ULB will merge with and into BayCom Corp, with BayCom Corp as the surviving corporation (the “Merger”). If the Merger is completed, shareholders of First ULB will receive shares of BayCom Corp common stock and cash as described herein in exchange for each share of First ULB common stock they hold. See “Joint Proposal 1 —The Merger—The Merger Consideration.”

Upon the effectiveness of the Merger, each share of First ULB common stock will be converted into the right to receive (i) \$13.50 in cash, and (ii) 0.9733 shares of BayCom Corp common stock. If the Merger had closed on March 1, 2017, BayCom Corp would have paid a per share merger consideration for each share of First ULB valued at \$29.75, which includes \$13.50 in cash and 0.9733 shares of BayCom Corp common stock valued at \$16.25 based on the last sales price of BayCom Corp on March 1, 2017. The foregoing is an example only, and not an indication of the exact value of the shares of BayCom Corp common stock that you will receive. Because the value of BayCom Corp common stock will fluctuate prior to the effectiveness of the Merger, you will not know the exact value of the merger consideration you will receive at the time of the First ULB or BayCom Corp shareholder meeting.

Shares of BayCom Corp common stock are quoted on the OTCQB under the symbol “BCML.” On March 1, 2017, the last sales price of BayCom Corp common stock was \$16.70 per share. Shares of First ULB common stock are quoted on the OTCBB under the symbol “FUBP.” On March 1, 2017, the last sales price of First ULB common stock was \$27.65 per share.

The Merger cannot be completed unless, among other conditions, the shareholders of First ULB and BayCom Corp approve the principal terms of the Merger Agreement and the Merger. The boards of directors of BayCom Corp and First ULB approved the Merger Agreement and the Merger, and **each board unanimously recommends that the shareholders of its respective company vote “FOR” the approval of the principal terms of the Merger Agreement and the Merger.**

This Joint Proxy Statement/Offering Circular serves as: (i) the proxy statement for the special meeting of shareholders of BayCom Corp; (ii) the proxy statement for the special meeting of shareholders of First ULB; and (iii) the offering circular for the shares of BayCom Corp common stock to be issued in the Merger. The accompanying Joint Proxy Statement/Offering Circular includes detailed information about the special meetings, the Merger, the documents related to the Merger and related matters and other

items being voted upon at the meetings. **We urge you to read the Joint Proxy Statement/Offering Circular carefully, including the considerations discussed under “RISK FACTORS,” beginning on page 14, and the appendices thereto, which include the Merger Agreement.**

**Your vote is very important.** Whether or not you plan to attend your shareholder meeting, please take the time to vote by completing and mailing the enclosed proxy card.

Sincerely,



Malcolm F. Hotchkiss  
First ULB Corp.  
Chairman, President & CEO



George J. Guarani  
BayCom Corp  
President & CEO

**Neither the California Department of Business Oversight, the Securities and Exchange Commission, any state securities regulator, the Federal Deposit Insurance Corporation, the Federal Reserve Board nor any other bank regulatory agency has approved or disapproved of the securities to be issued in connection with the Merger or determined if this Joint Proxy Statement/Offering Circular is accurate or complete. Any representation to the contrary is a criminal offense.**

**The shares of BayCom Corp common stock to be issued in the Merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by any federal or state governmental agency.**

This Joint Proxy Statement/Offering Circular is dated March 8, 2017 and was first mailed to the shareholders of BayCom Corp and the shareholders of First ULB on or about March 10, 2017.



## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To the Shareholders of BayCom Corp:

BayCom Corp will hold a special meeting of shareholders at 11:00 a.m. local time, on Monday, April 10, 2017, at the office of BC Bank located at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California, to consider and vote upon the following matters:

- a proposal to approve the Agreement and Plan of Reorganization and Merger, dated as of December 14, 2016, by and among, BayCom Corp, BC Bank, First ULB and UB Bank (the “Merger Agreement”), pursuant to which First ULB will be merged with and into BayCom Corp, with BayCom Corp as the surviving corporation (the “Merger”) as more fully described in the attached Joint Proxy Statement/Offering Circular; and
- a proposal to grant discretionary authority to adjourn the annual meeting on one or more occasions, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the annual meeting, or any adjournment or postponement of that meeting, to approve the principal terms of the Merger Agreement and the Merger.

We have fixed the close of business on March 1, 2017 as the record date for the special meeting. Only BayCom Corp shareholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting. In order for the Merger Agreement and Merger to be approved, the holders of a majority of the shares of BayCom Corp common stock outstanding and entitled to vote must vote in favor of approval.

**Your vote is very important.** We cannot complete the Merger unless BayCom Corp’s common shareholders approve the Merger Agreement. Failure to vote will have the same effect as voting against the Merger.

**Regardless of whether you plan to attend the special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card. If you hold your stock in “street name” through a bank or broker, please follow the instructions on the voting instruction card furnished by the record holder.**

The enclosed Joint Proxy Statement/Offering Circular provides a detailed description of the special meeting, the Merger Agreement and the Merger, the documents related to the Merger and other related matters. We urge you to read the Joint Proxy Statement/Offering Circular, and its appendices carefully and in their entirety. **If you have any questions concerning the merger or the proxy statement/offering circular, please contact Keary L. Colwell, Chief Financial Officer of BayCom Corp, at (925) 476-1800. If you would like additional copies of the proxy statement/offering circular or need help voting your shares of BayCom Corp common stock, please contact BayCom Corp’s Transfer Agent, OTR Transfer, (503) 225-0375.**

**BayCom Corp's Board of Directors has unanimously approved the Merger Agreement and Merger and recommends that BayCom Corp shareholders vote "FOR" the approval of the Merger Agreement and Merger and "FOR" the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of such approval.**

**BY ORDER OF THE BOARD OF DIRECTORS**

A handwritten signature in black ink, appearing to read "K. Colwell", written in a cursive style.

Keary Colwell  
*Corporate Secretary*

Walnut Creek, California  
March 10, 2017



## FIRST ULB CORP.

### NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To the Shareholders of First ULB Corp:

First ULB will hold a special meeting of shareholders at 9:00 a.m. local time, on Monday, April 10, 2017, at First ULB's main offices located at 100 Hegenberger Road, Suite 220, Oakland, California 94621, to consider and vote upon the following matters:

- a proposal to approve the Agreement and Plan of Reorganization and Merger, dated as of December 14, 2016, by and among, BayCom Corp, BC Bank, First ULB and UB Bank (the "Merger Agreement"), pursuant to which First ULB will be merged with and into BayCom Corp, with BayCom Corp as the surviving corporation (the "Merger") as more fully described in the attached Joint Proxy Statement/Offering Circular; and
- a proposal to grant discretionary authority to adjourn the special meeting on one or more occasions, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or any adjournment or postponement of that meeting, to approve the principal terms of the Merger Agreement and the Merger.

We have fixed the close of business on March 1, 2017 as the record date for the special meeting. Only First ULB shareholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting. In order for the Merger Agreement and Merger to be approved, the holders of a majority of the shares of First ULB common stock outstanding and entitled to vote must vote in favor of approval.

**Your vote is very important.** We cannot complete the Merger unless First ULB's common shareholders approve the Merger Agreement. Failure to vote will have the same effect as voting against the Merger.

**Regardless of whether you plan to attend the special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card. If you hold your stock in "street name" through a bank or broker, please follow the instructions on the voting instruction card furnished by the record holder.**

The enclosed Joint Proxy Statement/Offering Circular provides a detailed description of the special meeting, the Merger Agreement and the Merger, the documents related to the Merger and other related matters. We urge you to read the Joint Proxy Statement/Offering Circular, including any documents incorporated in the Joint Proxy Statement/Offering Circular by reference, and its appendices carefully and in their entirety. **If you have any questions concerning the Merger or the Joint Proxy Statement/Offering Circular, would like additional copies of the Joint Proxy Statement/Offering**

**Circular or need help voting your shares of First ULB common stock, please contact Jeanette Reynolds, Chief Financial Officer and Corporate Secretary, at First ULB at (510) 567-6906.**

**First ULB's Board of Directors has unanimously approved the Merger Agreement and Merger and recommends that First ULB shareholders vote "FOR" the approval of the Merger Agreement and Merger and "FOR" the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of such approval.**

**BY ORDER OF THE BOARD OF DIRECTORS**

A handwritten signature in black ink, appearing to read "Jeanette Reynolds", is centered on the page. The signature is fluid and cursive.

Jeanette Reynolds  
*Corporate Secretary*

Oakland, California  
March 10, 2017

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## **QUESTIONS AND ANSWERS ABOUT THE MEETINGS AND THE MERGER**

*The following questions and answers are intended to address briefly some commonly asked questions regarding the Merger and the shareholder meetings. These questions and answers may not address all questions that may be important to you as a shareholder. To better understand these matters, and for a description of the legal terms governing the Merger, you should carefully read this entire Joint Proxy Statement/Offering Circular, including its appendices. As used in this section entitled “QUESTIONS AND ANSWERS ABOUT THE MEETINGS AND THE MERGER”, “we,” “us,” or “our” refers to each of First ULB, UB Bank, BayCom Corp and/or BC Bank, respectively, or collectively, as appropriate.*

**Q: Why have I received these materials?**

A: BayCom Corp and First ULB have agreed to merge First ULB with and into BayCom Corp with BayCom Corp as the surviving corporation under the terms of the Merger Agreement that is described in this Joint Proxy Statement/Offering Circular. A copy of the Merger Agreement is attached to this Joint Proxy Statement/Offering Circular as Appendix A. In order to complete the Merger, the majority of shareholders of both BayCom Corp and First ULB must vote to approve the principal terms of the Merger Agreement and the transactions contemplated therein. Each of BayCom Corp and First ULB will hold a meeting of its shareholders to obtain this approval. This Joint Proxy Statement/Offering Circular contains important information about the Merger, the Merger Agreement, the shareholder meetings, and other related matters, and you should read it carefully. The enclosed voting materials for your respective shareholder meeting allow you to vote your shares of common stock without attending the applicable shareholder meeting in person.

We are delivering this Joint Proxy Statement/Offering Circular to you as both a proxy statement for each of the shareholder meetings and an offering circular of BayCom Corp with regard to the common stock of BayCom Corp to be offered to First ULB shareholders in the Merger.

**Q: If the Merger is completed what will First ULB shareholders receive in the Merger?**

A: Upon the effectiveness of the Merger, each share of First ULB common stock will be converted into the right to receive (i) \$13.50 in cash, and (ii) 0.9733 shares of BayCom Corp common stock. Please read the section entitled “Joint Proposal 1—The Merger—The Merger Consideration” for additional information. Because the value of 0.9733 shares of BayCom Corp common stock will fluctuate prior to the consummation of the Merger, you will not know the exact value of the consideration you will receive at the time of the First ULB or BayCom Corp shareholder meeting.

**Q: When and where are the shareholder meetings?**

A: The special meeting of shareholders of BayCom Corp will be held at the main office of BC Bank located at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California 94596, on Monday, April 10, 2017 at 11:00 a.m. (local time).

The special meeting of shareholders of First ULB will be held at the main office of UB Bank located at 100 Hegenberger Road, Suite 220, Oakland, California 94621, on Monday, April 10, 2017 at 9:00 a.m. (local time).

**Q: Who is entitled to vote at the shareholder meetings?**

A: Shareholders of record of First ULB as of the close of business on March 1, 2017 will be entitled to vote at the special meeting of First ULB. Shareholders of record of BayCom Corp as of the close of business on March 1, 2017 will be entitled to vote at the special meeting of BayCom Corp.

**Q: What am I voting on?**

A: Shareholders of BayCom Corp and First ULB are being asked to vote to:

- approve the principal terms of the Merger Agreement and the Merger; and
- grant discretionary authority to adjourn the special meeting on one or more occasions, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or any adjournment or postponement of that meeting, to approve the principal terms of the Merger Agreement and the Merger.

**Q: What vote is required to approve the Merger?**

A: The affirmative vote of holders of a majority of the shares of each of BayCom Corp common stock and First ULB common stock is required to approve the principal terms of the Merger Agreement and the Merger.

**Q: What constitutes a quorum for the shareholder meetings?**

A: A quorum of BayCom Corp shareholders is necessary to hold a valid shareholders meeting. The presence at the BayCom Corp shareholders' meetings in person or by proxy of the holders of a majority of the voting power of all outstanding shares of BayCom Corp common stock entitled to vote at the shareholders' meeting constitutes a quorum for that meeting. If there is no quorum, a majority of the shares present at the meeting, in person or by proxy, may adjourn the meeting to another date.

A quorum of First ULB shareholders is necessary to hold a valid shareholders meeting. The presence at the First ULB shareholders' meetings in person or by proxy of the holders of a majority of the voting power of all outstanding shares of First ULB common stock entitled to vote at the shareholders' meeting constitutes a quorum for that meeting. If there is no quorum, a majority of the shares present at the meeting, in person or by proxy, may adjourn the meeting to another date.

Each of BayCom Corp and First ULB is submitting a proposal for consideration at its respective shareholders' meeting to authorize the named proxies to approve one or more adjournments of the shareholders' meeting if there are not sufficient votes to approve the principal terms of the Merger Agreement and the Merger at the time of the shareholders' meeting. Even though a quorum may be present at the shareholders' meeting, it is possible that BayCom Corp or First ULB, as the case may be, may not have received sufficient votes to approve the principal terms of the Merger Agreement and the Merger by the time of its shareholders' meeting. In that event, BayCom Corp or First ULB, as the case may be, would need to adjourn its shareholder meeting to solicit additional proxies in favor of the approval of the principal terms of the Merger Agreement and the Merger. The adjournment proposal relates only to an adjournment of the shareholder meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to approve the principal terms of the Merger Agreement and the Merger. Any other adjournment of the shareholder meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy card.

**Q: How many votes do I have?**

A: Each share of common stock of BayCom Corp is entitled to one vote with respect to each matter to be voted on at its special shareholders' meeting. Each share of common stock of First ULB is entitled to one vote with respect to each matter to be voted on at its special shareholders' meeting.

**Q: How do I vote?**

A: After you carefully read this Joint Proxy Statement/Offering Circular and have decided how you wish to vote your shares, please vote your shares promptly so that your shares are represented and voted at the applicable shareholder meeting. If you hold your shares in your name as a shareholder of record, you must complete, sign, date and mail the proxy card in the enclosed postage-paid return envelope as soon as possible, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card. You may also vote in person at the applicable shareholder meeting. If you hold your shares in "street name" through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. "Street name" shareholders who wish to vote at the applicable shareholder meeting will need to obtain a proxy form from the institution that holds their shares.

**Q: If my shares are held in "street name" by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?**

A: No. Your broker, bank or other nominee will not vote your shares of common stock unless you provide instructions to your broker, bank or other nominee on how to vote. Proxies submitted by a broker, bank or other nominee for shares as to which the broker, bank or other nominee did not receive voting instructions are referred to as "broker non-votes" and are considered a vote against the approval of the principal terms of the Merger Agreement and the Merger and against the proposal to grant discretionary authority to adjourn the meeting if the number of affirmative votes cast for the proposal is a majority of the votes cast but does not constitute a majority of the quorum required to transact business at the meeting. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this Joint Proxy Statement/Offering Circular.

**Q: What if I fail to submit my proxy card?**

A: If you fail to properly submit your proxy card and you do not attend the applicable shareholder meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote against the approval of the principal terms of the Merger Agreement and the Merger and against the proposal to grant discretionary authority to adjourn the meeting if the number of affirmative votes cast for the proposal is a majority of the votes cast but does not constitute a majority of the quorum required to transact business at the meeting.

**Q: Can I change my vote after I have submitted my signed proxy card?**

A: Yes. You can change your vote at any time after you have submitted your proxy card and before your proxy is voted at the applicable shareholder meeting.

BayCom Corp shareholders and First ULB shareholders may revoke their proxies or change their vote at any time before the time their proxies are voted at their respective shareholder meeting by taking one of the following actions:

- You may deliver a written notice bearing a date later than the date of your proxy card to the Corporate Secretary of BayCom Corp or First ULB, as applicable, stating that you revoke your proxy;
- You may sign and deliver to the Corporate Secretary of BayCom Corp or First ULB, as applicable, a new proxy card relating to your shares and bearing a later date;
- You may cast a valid later vote by telephone or by the Internet. An earlier vote is revoked by a valid later vote by telephone or by the Internet; and
- You may attend the applicable shareholder meeting and vote in person, although attendance at the meeting will not, by itself, revoke a proxy.

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your voting instructions.

If you are a shareholder of BayCom Corp, you should send any notice of revocation or your completed new proxy card, as the case may be, to BayCom Corp at the following address:

BayCom Corp  
500 Ygnacio Valley Road, Suite 200  
Walnut Creek, California 94596  
Attn: Keary Colwell, Corporate Secretary

If you are a shareholder of First ULB, you should send any notice of revocation or your completed new proxy card, as the case may be, to First ULB at the following address:

First ULB Corp.  
100 Hegenberger Road, Suite 220  
Oakland, California 94621  
Attn: Jeanette Reynolds, Corporate Secretary

**Q: If I own shares in both BayCom Corp and First ULB, should I vote only once?**

A: No. If you own shares in both BayCom Corp and First ULB, you will receive separate proxy cards for each meeting. It is important that your vote is represented at each meeting, so please complete, sign, date and return your proxy card for each meeting.

**Q: What happens if I sell my shares of BayCom Corp or First ULB after the record date but before the applicable shareholder meeting?**

A: If you sell or otherwise transfer your shares of BayCom Corp or First ULB common stock after the record date of the applicable shareholder meeting but before the date of the applicable shareholder meeting, you will retain your right to vote at that applicable shareholder meeting (provided that such shares remain outstanding on the date of that shareholder meeting), but, if you are a First ULB shareholder you will not have the right to receive the merger consideration to be received by First ULB shareholders. In order to receive the merger consideration, you must hold your shares of First ULB common stock through completion of the Merger.

**Q: What do I do if I receive more than one Joint Proxy Statement/Offering Circular or set of voting instructions?**

A: If you hold shares directly as a record holder and also in “street name” or otherwise through a nominee, you may receive more than one Joint Proxy Statement/Offering Circular and/or set of voting instructions relating to the applicable shareholder meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

**Q: What will happen in the Merger?**

A: In the Merger, if completed, First ULB will merge with and into BayCom Corp, with BayCom Corp being the surviving corporation. Each share of First ULB common stock will be converted into \$13.50 in cash and 0.9733 shares of BayCom Corp common stock as described in this Joint Proxy Statement/Offering Circular.

**Q: Why is BayCom Corp proposing to merge with First ULB?**

A: First ULB’s and BayCom Corp’s respective Boards of Directors believe that their respective shareholders will benefit from the Merger because the business potential for the combined entities and their combined bank subsidiaries exceeds what each entity could individually accomplish. First ULB and BayCom Corp believe that their similar and complementary financial products and services in their respective markets will contribute to enhanced future financial performance, as well as providing a larger shareholder base. First ULB and BayCom Corp believe a larger shareholder base will increase shareholder liquidity and provide for shareholder value. Please read the section entitled “Joint Proposal 1—The Merger—BayCom Corp Reasons for the Merger” and “First ULB Reasons for the Merger,” for additional information.

**Q: What are the conditions to completion of the Merger?**

A: The obligations of First ULB, and UB Bank, on the one hand and BayCom Corp and BC Bank, on the other hand, to complete the Merger are subject to the satisfaction or waiver of certain closing conditions contained in the Merger Agreement, including, among other things, the receipt of required regulatory approval from the Federal Reserve Board (“FRB”), and the California Department of Business Oversight (“DBO”), and approval of the principal terms of the Merger Agreement and the Merger by the respective shareholders of BayCom Corp and First ULB. See “Joint Proposal 1—The Merger—Conditions to the Merger.”

Applications for the required regulatory approvals were filed on January 20, 2017, and all applications are currently pending. In reviewing the applications, the regulatory agencies take into consideration, among other things, competition, the financial and managerial resources and future prospects of the banks, and the convenience and needs of the communities to be served. The parties anticipate approval on these applications during March 2017.

**Q: Are BayCom Corp, BC Bank, First ULB and UB Bank regulated, supervised and examined by the same regulatory agencies?**

A: As a bank holding company, both BayCom Corp and First ULB are regulated, supervised and examined by the FRB. BC Bank is regulated, supervised and examined by the DBO and the FRB. UB Bank is regulated, supervised and examined by the Office of the Comptroller of the Currency (“OCC”).

**Q: When do you expect the Merger to be completed?**

A: The Merger will be completed when all of the conditions to completion contained in the Merger Agreement are satisfied or waived, including obtaining customary regulatory approvals and the approval of the principal terms of the Merger Agreement and the Merger by the respective shareholders of BayCom Corp and First ULB. While we expect the Merger to be completed early in the second quarter of 2017, because fulfillment of some of the conditions to completion of the Merger is not entirely within our control, we cannot assure you of the actual timing.

**Q: Will I be able to trade the shares of BayCom Corp common stock that I receive in the Merger?**

A: You may freely trade the shares of BayCom Corp common stock issued in the Merger; however, there can be no assurance that there will be an active trading market for the shares of BayCom Corp following the Merger.

**Q: Are the shares of BayCom Corp common stock publicly traded?**

A: Shares of BayCom Corp common stock are quoted and traded on the OTCQB, under the symbol "BCML."

**Q: What will happen to shares of BayCom Corp common stock in the Merger?**

A: Nothing. Each share of BayCom Corp common stock outstanding will remain outstanding as a share of common stock.

**Q: Are there any risks I should consider in deciding whether to vote to approve the principal terms of the Merger Agreement and the Merger?**

A: Yes. You should read and carefully consider the risks described in the section of this Joint Proxy Statement/Offering Circular entitled "Risk Factors" beginning on page 14. You are urged to read that section, as well as the rest of this Joint Proxy Statement/Offering Circular, before deciding how to vote.

**Q: Does the Board of Directors of BayCom Corp recommend voting in favor of the approval of the principal terms of the Merger Agreement and the Merger?**

A: Yes. After careful consideration, the Board of Directors of BayCom Corp unanimously recommends that its shareholders vote "FOR" the approval of the principal terms of the Merger Agreement and the Merger.

**Q: Does the Board of Directors of First ULB recommend voting in favor of the approval of the principal terms of the Merger Agreement and Merger?**

A: Yes. After careful consideration, the Board of Directors of First ULB unanimously recommends that its shareholders, vote "FOR" the approval of the principal terms of the Merger Agreement and Merger.

**Q: How do BayCom Corp's directors plan to vote?**

A: All of the directors and executive officers of BayCom Corp and BC Bank have agreed to vote their shares to approve the principal terms of the Merger Agreement and the Merger. These directors



and executive officers collectively hold, as of the record date for the special meeting, approximately 9.7% of BayCom Corp common stock entitled to vote.

**Q: How do First ULB’s directors plan to vote?**

A: All of the directors of First ULB and UB Bank have agreed to vote their shares to approve the principal terms of the Merger Agreement and the Merger. These directors collectively hold, as of the record date for the special meeting, approximately 1.6% of First ULB common stock entitled to vote.

**Q: Do First ULB shareholders have dissenters’ rights in the Merger?**

A: Yes. A First ULB shareholder, if he or she desired to do so, could take advantage of the right to receive the fair market value of their shares, but only if such shareholder does not vote in favor of the approval of the principal terms of the Merger Agreement and Merger and complies with the California law procedures regarding dissenters’ rights. To exercise dissenters’ rights, shareholders must strictly follow the procedures prescribed by California law. For additional details about dissenters’ rights, please refer to “Joint Proposal 1—The Merger—Dissenters’ Rights” and Appendix B accompanying this Joint Proxy Statement/Offering Circular.

**Q: Do BayCom Corp shareholders have dissenters’ rights in the Merger?**

A: Yes. A BayCom Corp shareholder, if he or she desired to do so, could take advantage of the right to receive the fair market value of their shares, but only if such shareholder does not vote in favor of the approval of the principal terms of the Merger Agreement and Merger and complies with the California law procedures regarding dissenters’ rights. To exercise dissenters’ rights, shareholders must strictly follow the procedures prescribed by California law. For additional details about dissenters’ rights, please refer to “Joint Proposal 1—The Merger—Dissenters’ Rights” and Appendix B accompanying this Joint Proxy Statement/Offering Circular.

**Q: Should I send in my certificates of First ULB now?**

A: No. You should not send your stock certificates in the envelope provided for use in returning your proxy. If the Merger is completed, BayCom Corp’s exchange agent will send First ULB shareholders separate written instructions for exchanging their stock certificates for BayCom Corp stock certificates and cash.

**Q: If I am a shareholder of BayCom Corp, who can help answer my other questions?**

A: If you are a shareholder of BayCom Corp and have questions about the Merger, the shareholders’ meeting or need help voting your shares, you should contact Keary L. Colwell, Executive Vice President and Chief Financial Officer of BayCom Corp, 500 Ygnacio Valley Road, Suite 200, Walnut Creek, CA 94596 (925) 476-1800.

**Q: If I am a shareholder of First ULB, who can help answer my questions?**

A: If you are a shareholder of First ULB and have questions about the Merger, the shareholders’ meeting or need help voting your shares, you should contact Jeanette Reynolds, Chief Financial Officer and Corporate Secretary of First ULB, 100 Hegenberger Road, Suite 220, Oakland, California 94621, (510) 567-6900.

## WHERE YOU CAN FIND MORE INFORMATION

Neither BayCom Corp nor First ULB has a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor is either subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, and, accordingly, does not file documents and reports with the Securities and Exchange Commission. As BayCom Corp has only recently become the bank holding company of BC Bank, the historical financial statements of each of BC Bank and First ULB are included elsewhere in this Joint Proxy Statement/Offering Circular.

Both BC Bank and UB Bank file call reports with the FDIC, all of which are available electronically at the FDIC’s web site at <http://www.fdic.gov>.

**Neither BayCom Corp nor First ULB has authorized anyone to give any information or make any representations about the Merger, the Merger Agreement or either of their subsidiary banks that is different from, or in addition to, that contained in this Joint Proxy Statement/Offering Circular. Therefore, if anyone does give you information of this sort, you should not rely on it. The information contained in this Joint Proxy Statement/Offering Circular speaks only as of the date of this Joint Proxy Statement/Offering Circular unless the information specifically indicates that another date applies.**

## SUMMARY

This summary only highlights material information from this Joint Proxy Statement/Offering Circular. You should carefully read this entire Joint Proxy Statement/Offering Circular, including the appendices. These will give you a more complete description of the Merger, the Merger Agreement and the transactions proposed.

### General

This Joint Proxy Statement/Offering Circular relates to the proposed Merger of First ULB with and into BayCom Corp. BayCom Corp and First ULB believe that this Merger will create opportunities to realize enhanced revenues through asset growth and market penetration.

### Parties to the Merger

First ULB Corp.  
United Business Bank, FSB  
100 Hegenberger Road, Suite 220  
Oakland, CA 94621  
(510) 567-6900

First ULB is a registered savings and loan company which owns all of the issued and outstanding shares of UB Bank. UB Bank is a federally-chartered savings bank with its main office in Oakland California and seven branch offices in Glendale, Long Beach, Sacramento, San Francisco, and San Jose, California, Albuquerque, New Mexico and Seattle, Washington.

Please read the section entitled “Description of First ULB” and “Description of UB Bank” for additional information about First ULB and UB Bank.

BayCom Corp  
Bay Commercial Bank  
500 Ygnacio Valley Road, Suite 200  
Walnut Creek, California 94596  
(925) 476-1800

BayCom Corp is a registered bank holding company which owns all of the issued and outstanding shares of BC Bank. BC Bank is a California state-chartered bank with its main office in Walnut Creek, California, and nine branch offices in Oakland, Castro Valley, Mountain View, Napa, Stockton, Waterloo, Pleasanton, Livermore and San Jose, California.

Please read the sections entitled “Description of BayCom Corp” and “Description of Bay Commercial Bank” for additional information about BayCom Corp and BC Bank.

### **Shareholder Meetings; Votes Required**

First ULB will hold a special meeting of shareholders at the headquarters of UB Bank, located at 100 Hegenberger Road, Suite 220, Oakland, California on Monday, April 10, 2017 at 9:00 a.m. (local time). At the special meeting you will be asked to consider and vote on (i) a proposal to approve the principal terms of the Merger and principal terms of the Merger Agreement, and (ii) a proposal to grant discretionary authority to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the principal terms of the Merger and the principal terms of the Merger Agreement. You may vote at the First ULB special meeting if you owned shares of First ULB stock at the close of business on the record date, which is March 1, 2017. On that date, First ULB had 1,409,938 shares of common stock issued and outstanding and entitled to vote. Approval of the principal terms of the Merger and principal terms of the Merger Agreement requires the affirmative vote of at least a majority of the shares of First ULB common stock outstanding on the record date. The affirmative vote of (i) a majority of the shares represented and voting at the meeting and (ii) a majority of the quorum required to transact business at the meeting, is required to approve the proposal to grant discretionary authority to adjourn the meeting, if necessary. Please read the section entitled “The First ULB Meeting” for additional information.

BayCom Corp will hold its special meeting of shareholders at the headquarters of BC Bank, located at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California 94596 on Monday, April 10, 2017, at 11:00 a.m. (local time). At the special meeting you will be asked to consider and vote on (i) a proposal to approve the principal terms of the Merger and principal terms of the Merger Agreement, and (ii) a proposal to grant discretionary authority to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the principal terms of the Merger and principal terms of the Merger Agreement. You may vote at the BayCom Corp special meeting if you owned shares of BayCom Corp common stock at the close of business on the record date, which is March 1, 2017. On that date, BayCom Corp had 5,472,426 shares of common stock issued and outstanding and entitled to vote. Approval of the principal terms of the Merger and principal terms of the Merger Agreement requires the affirmative vote of at least a majority of the shares of BayCom Corp common stock outstanding on the record date. The affirmative vote of (i) a majority of the shares represented and voting at the meeting and (ii) a majority of the quorum required to transact business at the meeting, is required to approve the proposal to grant discretionary authority to adjourn the meeting, if necessary. Please read the section entitled “The BayCom Corp Meeting” for additional information.

## **The Merger**

The Merger will result in First ULB being merged with and into BayCom Corp, with BayCom Corp as the surviving corporation, followed immediately by the merger of UB Bank with and into BC Bank, with BC Bank as the surviving bank. The Merger will not occur without the approval of a majority of the shareholders of BayCom Corp and First ULB. There are also other customary conditions which must be met in order for the Merger to be completed. Please read the section entitled “Joint Proposal 1—The Merger,” for additional information.

## **The Merger Agreement**

The Merger Agreement is the legal document that contains the Merger’s terms and governs First ULB’s and BayCom Corp’s merger process, including the issuance of BayCom Corp common stock and payment of cash to First ULB’s shareholders in the Merger. Please read the entire Merger Agreement which is attached to this Joint Proxy Statement/Offering Circular as Appendix A. Also, please read the section entitled “Joint Proposal 1—The Merger—The Merger Agreement” for additional information.

## **Consideration to be Paid to First ULB Shareholders**

Assuming the Merger is completed, First ULB shareholders will be entitled to receive, upon the effectiveness of the Merger, for each share of First ULB common stock they own, (i) \$13.50 in cash, and (ii) 0.9733 shares of BayCom Corp common stock. Because the value of 0.9733 shares of BayCom Corp common stock will fluctuate prior to the consummation of the Merger, you will not know the exact value of the merger consideration that First ULB shareholders will receive at the time of the shareholder meetings. See “Joint Proposal 1—The Merger—Merger Consideration.”

## **Regulatory Approvals**

BayCom Corp filed an application with the DBO with respect to the fairness of the terms of the Merger and a waiver request with the FRB regarding the Merger. BC Bank filed an application with the FRB with respect to the approval of the merger by and between BC Bank and UB Bank and an application with the DBO with respect to the approval of the merger by and BC Bank and UB Bank. These applications are currently pending. The Merger may not be consummated until these applications have been approved. Please read the section entitled “Joint Proposal 1—The Merger—Regulatory Approvals” for additional information.

## **Securities Held by Directors—Voting Agreements**

As of the record date, First ULB’s and UB Bank’s directors own in the aggregate, 23,038 shares, representing approximately 1.6% of First ULB common stock issued and outstanding on the record date. Each of the directors of First ULB and UB Bank have agreed to vote their shares to approve the principal terms of the Merger Agreement and Merger. Please read the section entitled “Joint Proposal 1—The Merger—The Merger Agreement-- Voting Agreements” for additional information.

As of the record date, BayCom Corp’s and BC Bank’s directors and executive officers own, in the aggregate, 528,776 shares, representing approximately 9.7% of BayCom Corp common stock issued and outstanding on the record date. All of these directors and executive officers have agreed to vote their shares to approve the principal terms of the Merger Agreement and the Merger. Please read the section entitled “Joint Proposal 1—The Merger—The Merger Agreement—Voting Agreements” for additional information.

## **Opinion of the Financial Advisor to the First ULB’s Board of Directors**

First ULB’s Board of Directors retained FIG Partners to act as its financial advisor and to provide its opinion of the fairness from a financial viewpoint of the merger consideration that First ULB’s shareholders will receive in connection with the Merger. On December 14, 2016, FIG Partners issued its written opinion to the First ULB Board of Directors that, as of such date, the merger consideration was fair, from a financial point of view, to First ULB’s shareholders. In deciding to approve the Merger, First ULB’s Board of Directors considered, among other things, such opinion. The full text of the opinion, which sets forth, among other things, assumptions made, procedures followed, matters considered, and limitations on the review undertaken, is attached as Appendix C. You should read the opinion carefully and in its entirety. The opinion is addressed to First ULB’s Board of Directors and does not constitute a recommendation to any shareholder as to how to vote on the Merger. Please read the section entitled “Joint Proposal 1—The Merger—Opinion of Financial Advisors—Fairness Opinion for First ULB’s Board of Directors” and Appendix C for additional information.

## **Recommendation of First ULB’s Board of Directors**

On December 14, 2016, First ULB’s and UB Bank’s respective Board of Directors approved the Merger Agreement and the Merger after receiving an oral opinion from FIG Partners, which opinion was subsequently confirmed in writing, that, as of such date, the merger consideration was fair, from a financial point of view, to First ULB shareholders. Accordingly, the First ULB Board of Directors recommends a vote “FOR” the proposal to approve the principal terms of the Merger Agreement and Merger. Please read the sections entitled “Joint Proposal 1—The Merger—First ULB’s Reasons for the Merger” for additional information.

## **Opinion of the Financial Advisor to the BC Bank Board of Directors**

In deciding to approve the Merger, BC Bank’s Board of Directors considered, among other things, the opinion of Vining Sparks IBG, LP., (“Vining Sparks”) BC Bank’s financial advisor, regarding the fairness to shareholders of BC Bank, from a financial point of view, of the Merger consideration to be paid by BayCom Corp. On December 13, 2016, Vining Sparks issued its opinion that, as of such date, the Merger was fair, from a financial point of view of BC Bank’s shareholders. In deciding to approve the Merger, BC Bank’s Board of Directors considered, among other things, such opinion. The advisor’s written opinion is attached as Appendix D. You should read it carefully to understand the assumptions made, matters considered and limitations of the review undertaken by the advisor in providing its opinion. Please read the section entitled “Joint Proposal 1—The Merger—Opinion of Financial Advisors—Fairness Opinion for BC Bank’s Board of Directors” and Appendix D for additional information.

## **Recommendation of BayCom Corp and BC Bank Board of Directors**

On December 13, 2016, BC Bank’s Board of Directors received an opinion from Vining Sparks that, as of such date, the Merger Agreement and transactions contemplated thereby were fair, from a financial point of view, to BC Bank’s shareholders. Having received the opinion of Vining Sparks, on December 14, 2016, the Boards of Directors of BC Bank and BayCom Corp unanimously approved the Merger Agreement and the Merger. Accordingly, the BayCom Corp Board of Directors recommends a vote “FOR” the proposal to approve the principal terms of the Merger Agreement and the Merger. Please read the section entitled “Joint Proposal 1—The Merger—BayCom Corp’s Reasons for the Merger” for additional information.

## **Conditions to Closing the Merger**

In addition to shareholder and regulatory approval, First ULB's and BayCom Corp's obligations to complete the Merger depend on other conditions being met prior to the completion of the Merger. Please read the section entitled "Joint Proposal 1—The Merger—The Merger Agreement—Conditions to the Merger" for additional information.

## **Termination of the Merger**

First ULB and BC Bank can mutually agree to terminate the Merger Agreement. Either First ULB or BC Bank can terminate the Merger Agreement in the event of a material breach by the other party or the occurrence of certain other events. In certain instances of termination, First ULB may be required to pay BayCom Corp a termination fee of \$1,500,000. In addition, in certain instances of termination, either party may be required to pay for the other party's transaction expenses up to an aggregate of \$400,000. Please read the sections entitled "Joint Proposal 1—The Merger—The Merger Agreement—Termination" and "Termination Fees" for additional information.

## **Federal Income Tax Consequences**

BayCom Corp and First ULB intend that the Merger qualify as a "reorganization" for U.S. Federal income tax purposes. Assuming that the Merger qualifies as a "reorganization," a U.S. person that is a beneficial owner of shares of First ULB common stock will generally recognize gain (but not loss) for U.S. federal income tax purposes in an amount equal to the lesser of (1) the amount of cash received in the Merger and (2) an amount equal to the excess, if any, of (a) the sum of the amount of cash plus the fair market value of the shares of BayCom Corp common stock received in the Merger, over (b) the tax basis of the shares of First ULB common stock exchanged therefor. The gain recognized will generally be capital gain (assuming the First ULB shares are held by the shareholder as a capital asset). Please read the section entitled "Joint Proposal 1—The Merger—Material Federal Income Tax Consequences" for additional information. Further, First ULB shareholders are encouraged to consult their tax advisors because tax matters can be complicated, and the tax consequences of the Merger to you will depend upon your own situation. First ULB shareholders should consult their tax advisors concerning all state, local and foreign tax consequences of the Merger.

## **Accounting Treatment**

The merger will be accounted for using the acquisition method of accounting which will result in (1) the recorded assets and liabilities of BayCom Corp being carried forward at their recorded amounts, (2) BayCom Corp's historical operating results remaining unchanged for the prior periods being reported on and (3) the assets and liabilities of First ULB being adjusted to fair value at the date BayCom Corp assumes control of the combined entities. In addition, all identifiable intangible assets of First ULB will be recorded by BayCom Corp at their fair value and included as part of the net assets acquired. The amount by which the purchase price, consisting of the value of cash and shares of BayCom Corp common stock to be issued to former First ULB shareholders, exceeds the fair value of the net assets of First ULB at the closing date of the Merger will be reported as goodwill of BayCom Corp. Goodwill is not amortized and will be evaluated for impairment at least annually. Recognized identifiable definite-lived intangible assets will be amortized over their estimated lives. The operating results of First ULB will be included in the operating results of BayCom Corp from the closing date of the Merger forward.

## **BayCom Corp and BC Bank’s Management and Operations After the Merger**

At the effective time of the Merger, the Boards of Directors and officers of BayCom Corp and BC Bank will be the same as in effect immediately prior to the Merger; provided, however, that the board of directors of BayCom Corp will take all actions legally necessary to cause the number of directors that will comprise its full board of directors promptly after the Merger to be increased by two, which two new vacancies are to be filled by Malcolm Hotchkiss and Rocco Davis, current members of First ULB’s Board. If either of these two new members does not accept his appointment, then the vacancy shall be filled from other members of the First ULB or UB Bank Boards, as chosen by BayCom Corp. Please read the section entitled “Joint Proposal 1—The Merger—Interests in the Merger of Certain Directors and Executive Officers of First ULB” for additional information.

## **Interests in the Merger of Directors and Executive Officers of First ULB**

The directors and executive officers of First ULB and UB Bank have financial interests in the Merger as individuals that are in addition to, or different from, their interests as shareholders generally. You should consider these interests in deciding how to vote. See “Joint Proposal 1—The Merger—Interests in the Merger of Certain Directors and Executive Officers of First ULB and UB Bank” for additional information.

## **Differences in Your Rights as a Shareholder**

As a First ULB shareholder, your rights are currently governed by First ULB’s Articles of Incorporation, as amended and restated, and Amended and Restated Bylaws. If you receive BayCom Corp common stock in connection with the Merger, your rights as a BayCom Corp shareholder will be governed by BayCom Corp’s Articles of Incorporation and Bylaws. The rights of BayCom Corp shareholders differ from the rights of First ULB shareholders in certain respects. Please read the section entitled “Comparison of Shareholders’ Rights” for additional information.

## **Dissenters’ Rights**

Under California law, shareholders of record of each of First ULB and BayCom Corp who do not vote in favor of the Merger, and otherwise comply with provisions of the California Corporations Code with respect to dissenters’ rights, will be entitled to exercise dissenters’ rights and to obtain payment in cash for the fair market value of their shares of First ULB common stock or BayCom Corp common stock, as applicable. The relevant provisions of the California Corporations Code are included as Appendix B to this Joint Proxy Statement/Offering Circular. Please read the section entitled “Joint Proposal 1—The Merger—Dissenters’ Rights” and Appendix B for additional information.

## **Resale of BayCom Corp common stock by Former First ULB Shareholders**

Shares of BayCom Corp common stock that First ULB shareholders receive in the Merger will be freely transferable except for shares of BayCom Corp received by a shareholder who is or becomes an affiliate of BayCom Corp following the Merger. Please read the section entitled “Joint Proposal 1—the Merger—The Merger Agreement—Transferability of BayCom Corp Common Stock Issued in the Merger.”

## RISK FACTORS

In addition to the other information included in this Joint Proxy Statement/Offering Circular, including the matters addressed in the section entitled “A Warning About Forward-Looking Statements,” you are urged to carefully consider the following factors described below in determining whether to approve the principal terms of the Merger Agreement and Merger. As used in this section entitled “Risk Factors,” “we,” “us,” or “our” refers to each of First ULB, UB Bank, BayCom Corp and BC Bank, respectively, or collectively, as appropriate.

### Risks Regarding the Merger

***Failure to complete the Merger could negatively impact the future businesses and financial results of First ULB and BayCom Corp and the future stock prices of BayCom Corp and First ULB.***

If the Merger is not completed, the ongoing businesses of First ULB and BayCom Corp may be adversely affected and First ULB and BayCom Corp will be subject to several risks, including the following:

- either First ULB or BayCom Corp may be required under the Merger Agreement, under certain circumstances, to pay the other party’s out-of-pocket expenses of up to \$400,000;
- First ULB may be required under the Merger Agreement, under certain circumstances, to pay a termination fee of \$1,500,000 to BayCom Corp in addition to out-of-pocket expenses;
- First ULB and BayCom Corp will both incur and be required to pay certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor and printing fees;
- under the Merger Agreement, each of First ULB, UB Bank, BayCom Corp and BC Bank, is subject to certain restrictions on the conduct of its respective business prior to completing the Merger which may adversely affect its ability to execute certain of its business strategies, including missing other transactional opportunities which may arise during this time period; and
- matters relating to the Merger may require substantial commitments of time and resources by First ULB and BayCom Corp management, officers, and directors, which could otherwise have been devoted to other opportunities that may have been beneficial to First ULB and BayCom Corp as independent entities, as the case may be.

In addition, if the Merger is not completed, First ULB, UB Bank, BayCom Corp and/or BC Bank may experience negative reactions from the financial markets and from their respective customers and employees. If the Merger is not completed, First ULB and BayCom Corp cannot assure their shareholders that the risks described herein will not materialize and will not materially affect the business, financial results and stock prices of First ULB and/or BayCom Corp.

***Combining First ULB and BayCom Corp may be more difficult than expected.***

If First ULB and BayCom Corp are unable to successfully integrate their businesses, operating results may suffer. Both First ULB and BayCom Corp have operated, and until completion of the Merger, will continue to operate, independently of one another. It is possible that the integration process could result in the loss of key employees, disruption of First ULB’s and BayCom Corp’s ongoing business or inconsistencies in standards, controls, policies or procedures. These could negatively affect both First ULB’s and BayCom Corp’s ability to maintain relationships with customers and employees, or achieve the



anticipated benefits of the Merger within the time period expected, if at all. As with any merger of financial institutions, there may also be disruptions that cause customers, of both deposits and loans, to take their business to competitors.

***Because the value of BayCom Corp common stock will fluctuate prior to the Merger, shareholders cannot be sure of the value of the BayCom Corp common stock that shareholders of First ULB will receive in the Merger.***

Under the terms of the Merger Agreement, shareholders of First ULB are to receive (i) \$13.50 in cash, and (ii) 0.9733 shares of common stock of BayCom Corp for each share of First ULB common stock they own on the effective date of the Merger. Although the per share stock consideration to be received by First ULB shareholders is fixed at 0.9733 shares of BayCom Corp common stock for each share of First ULB common stock, the value of the BayCom Corp common stock fluctuates. Because the date that the Merger will be completed will be later than the date of the shareholder meetings, at the time of the shareholder meetings you will not know the exact value of the BayCom Corp common stock that First ULB shareholders will receive for their shares of First ULB common stock upon completion of the Merger. See “Joint Proposal 1—The Merger—The Merger Consideration.”

***The Merger Agreement limits First ULB’s ability to pursue alternatives to the Merger.***

The Merger Agreement contains provisions that make it more difficult for First ULB to sell its business to a party other than BayCom Corp. These provisions include a general prohibition against First ULB’s solicitation of any acquisition proposal or offer for a competing transaction, a general prohibition on the sale of material portions of the assets of First ULB, and the requirement that First ULB pay a termination fee of \$1,500,000 (in addition to BayCom Corp’s transaction expenses up to \$400,000 in certain circumstances), in the event of a breach by First ULB of its non-solicitation and shareholder recommendation covenants contained in the Merger Agreement and in certain other events as provided in the Merger Agreement. See “Joint Proposal 1—The Merger—The Merger Agreement—‘No Solicitation,’ ‘Termination’ and ‘Termination Fees.’”

These provisions might discourage a third party who might have an interest in acquiring all or a significant part of First ULB from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per share value than the current proposed merger consideration. Furthermore, a potential competing acquirer may propose to pay a lower per share price to First ULB shareholders than it might otherwise have proposed to pay because of First ULB’s contractual obligation, in connection with termination of the Merger Agreement under certain circumstances, to pay BayCom Corp’s transaction expenses of up to \$400,000, and possibly an additional \$1,500,000 termination fee.

***The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed.***

The Merger Agreement is subject to a number of conditions which must be fulfilled in order to complete the Merger. Those conditions include, but are not limited to: approval of the principal terms of the Merger and Merger Agreement by the shareholders of each of BayCom Corp and First ULB, regulatory approvals, the continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements. See “Joint Proposal 1—The Merger—The Merger Agreement—Conditions to the Merger.”

***The Merger is subject to the receipt of consents and approvals from governmental entities that may delay the date of completion of the Merger or impose conditions that could have an adverse effect on the surviving bank.***

Before the Merger may be completed, the approvals of the DBO and the FRB must be obtained. Satisfying the requirements of these regulatory agencies may delay the date of completion of the Merger. In addition, these regulatory agencies may include conditions on the completion of the Merger or require changes to the terms of the Merger. While First ULB and BayCom Corp do not currently expect that any such conditions or changes would result in a material adverse effect on the surviving corporations, there can be no assurance that they will not, and such conditions or changes could have the effect of delaying completion of the Merger or imposing additional costs on or limiting the revenues of the surviving corporations following the Merger, any of which might have a material adverse effect on BC Bank and/or BayCom Corp following the Merger. Despite the limited risk that the regulators may impose conditions on the completion of the Merger, the parties reserve the right to terminate the Merger Agreement and the Merger should the regulators impose any materially burdensome conditions on the completion of the Merger. See “Joint Proposal 1—The Merger—Regulatory Approvals.”

***Uncertainty regarding the Merger may result in the loss of the employees and customers of BayCom Corp and First ULB prior to the completion of the Merger.***

Employees of BayCom Corp and BC Bank, and First ULB and UB Bank, may experience uncertainty about their future role with the combined entities. This may adversely affect the ability of BayCom Corp and First ULB before the completion of the Merger, and the ability of the combined entities after the completion of the Merger, to retain and attract key management and other personnel. Similarly, uncertainty regarding the Merger may cause customers of BC Bank or UB Bank to withdraw their business prior to the completion of the Merger. Any loss of BC Bank’s or UB Bank’s customers could have a material adverse effect on BC Bank’s or UB Bank’s respective businesses, regardless of whether or not the Merger is completed.

***Directors and executive officers of First ULB have interests in the Merger that may be different from, or in addition to, the interests of their shareholders.***

Executive officers and directors of First ULB and UB Bank who are also shareholders of First ULB will participate in the Merger in the same manner and to the same extent as all of the other First ULB shareholders. However, certain executive officers and directors of First ULB may have interests in the Merger as individuals that are in addition to, or different from, their interests as shareholders generally. For example, two of the current directors of First ULB will join the Board of Directors of BayCom Corp. Also, BayCom Corp has agreed to provide indemnification insurance for the directors and officers of First ULB for up to six years. Please read the section entitled “Joint Proposal 1—The Merger—Interests in the Merger of Certain Directors and Executive Officers of First ULB and UB Bank” for additional information.

## **Risks Regarding BayCom Corp Common Stock**

***There is a limited trading market for BayCom Corp’s common stock.***

BayCom Corp’s common stock is not listed on any securities exchange, but it has been quoted for trading on the OTCQB since January, 2017. The volume of trading in the common stock of BayCom Corp is limited and does not constitute an active trading market, and it is not anticipated that a more active trading market will develop as a result of the Merger. BayCom Corp does not expect to qualify for or seek a listing on any securities exchange in the foreseeable future. There can be no assurance that you will be able to sell your shares of BayCom Corp common stock at any time in the future or at all, or that an active trading

market will develop in the foreseeable future, if ever. See “Market Prices and Dividends—BayCom Corp Market Information.”

***The price of BayCom Corp common stock price is affected by a variety of factors.***

Stock price volatility and low trading volume may impact resale of the common stock of BayCom Corp common stock when desired. BayCom Corp’s stock price can fluctuate significantly in response to a variety of factors, including, among other reasons:

- Actual or anticipated variations in quarterly results of operations;
- Recommendations by securities analysts;
- Operating and stock price performance of other companies that investors deem comparable to BayCom Corp;
- News reports relating to trends, concerns and other issues in the financial services industry; and
- Perceptions in the marketplace regarding BayCom Corp and/or its competitors.

***The price of BayCom Corp common stock may decrease following the Merger.***

The market price of BayCom Corp could decrease following the Merger and prevent you from selling your shares at a profit. Fluctuations in the market price may occur for various reasons, some of which are beyond BayCom Corp’s control, including

- operating results;
- market demand;
- announcements by competitors;
- economic changes;
- general market conditions; and
- legislative and regulatory changes.

See the section entitled “Market Prices and Dividends—BayCom Corp Market Information” for additional information regarding the trading prices of BayCom Corp common stock.

***An investment in BayCom Corp’s common stock is not an insured deposit.***

BayCom Corp common stock is not a bank deposit and is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. An investment in BayCom Corp common stock is subject to the same market forces that affect the price of common stock in any company.

***BayCom Corp has not paid dividends in the past and does not expect to pay dividends in the foreseeable future.***

BayCom Corp has not paid dividends in the past and does not expect to declare dividends in the foreseeable future because it believes the most effective use of its capital and earnings is to finance its growth and operations. See “Market Prices and Dividends—BayCom Corp Dividends.”

***There is limited public information concerning BayCom Corp and its business, operations and financial condition.***

There is limited publicly available information about BayCom Corp. BayCom Corp’s common stock is not registered under the Securities Act of 1933, and BayCom Corp does not file reports with the

U.S. Securities and Exchange Commission under the Securities and Exchange Act of 1934. BayCom Corp provides investors with periodic financial and other information, but does not make periodic disclosures of the type that would be available if it were subject to the reporting requirements of the Securities and Exchange Act of 1934.

***BayCom Corp and BC Bank have limited the circumstance in which our directors will be liable for monetary damages.***

BayCom Corp and BC Bank each have included in its Articles of Incorporation a provision to eliminate the liability of directors for monetary damages to the maximum extent permitted by California law. The effect of this provision will be to reduce the situations in which BC Bank, BayCom Corp or its shareholders will be able to seek monetary damages from its directors.

BayCom Corp and BC Bank each have also included in its respective Bylaws a provision to indemnify their directors and officers and advance litigation expenses to the fullest extent permitted or required by California law, including circumstances in which indemnification is otherwise discretionary. Such indemnification may be available for liabilities arising in connection with this transaction.

***BayCom Corp may seek to raise additional capital following the Merger in order to support future organic growth and/or further acquisitions. Such offering could be dilutive to the holders of its common stock and future offerings of debt senior to BayCom Corp's common stock and/or preferred equity securities, which may be senior to BayCom Corp's common stock, may have senior rights for purposes of dividend distributions or upon liquidation, and may adversely affect the value of BayCom Corp's common stock.***

It is possible that BayCom Corp may attempt to increase its capital resources following the Merger in order to take advantage of organic growth and/or growth through acquisition as these opportunities present themselves. Further, if its capital ratios fall below the recommended levels or required minimums, BayCom Corp could be forced to raise additional capital by making additional offerings of common stock, debt or preferred equity securities, including medium-term notes, senior or subordinated notes or preferred stock. Any offering of common stock could be dilutive to holders of its common stock. Offerings of debt securities and shares of preferred stock will likely receive distributions of BayCom Corp's available assets prior to the holders of BayCom Corp's common stock in any liquidation and have preference in any dividends or other distributions. Holders of BayCom Corp's common stock are not entitled to preemptive rights or other protections against the issuance of shares of common stock or securities that are senior to the common stock.

### **Risks Regarding the Businesses of BayCom Corp, BC Bank, First ULB and UB Bank**

***BayCom Corp and First ULB face lending risks, especially with respect to small- and medium-sized business clientele.***

The risk of loan defaults or borrowers' inability to make scheduled payments on their loans is inherent in the banking business. Moreover, BayCom Corp and First ULB, and their respective subsidiaries, focus primarily on lending to small- and medium-sized businesses. These businesses may not have the capital or other resources required to weather significant business downturns or downturns in the markets in which they compete. Consequently, BayCom Corp and First ULB may assume greater lending risks than other financial institutions which have a smaller concentration of those types of loans, and which tend to make loans to larger businesses. Borrower defaults or borrowers' inability to make scheduled payments may result in losses which may exceed our allowances for loan losses. These risks, if they occur, may

require higher than expected loan loss provisions which, in turn, can materially impair our profitability, capital adequacy and overall financial condition.

***BayCom Corp and First ULB compete against larger banks and other institutions.***

BayCom Corp and First ULB compete for loans and deposits with other banks, savings and thrift associations and credit unions located in our service areas, as well as with other financial services organizations such as brokerage firms, insurance companies and money market mutual funds. These competitors aggressively solicit customers within their market area by advertising through direct mail, electronic media and other means. Many competitors have been in business longer, have established customer bases and are substantially larger than each of BayCom Corp and First ULB. These competing financial institutions offer services, including international banking services, that BayCom Corp and First ULB can only offer through correspondents, if at all. Additionally, these competitors have greater capital resources and, consequently, higher lending limits than BayCom Corp and First ULB do. Finally, some competitors are not subject to the same degree of regulation.

***BayCom Corp and First ULB face limits on their respective ability to lend.***

The size of loans BayCom Corp and First ULB can each make is limited by regulation based upon the amount of their respective capital. The size of the loans that UB Bank and BC Bank can presently offer to potential customers is less than the size of loans that competitors with larger lending limits can offer. Even after the Merger, the combined lending limit of the resulting institution will still be smaller than BayCom Corp may need to effectively compete with the larger institutions in our market. Legal lending limits also affect our ability to seek relationships with larger and more established businesses. BayCom Corp may not be able to attract and retain customers seeking loans in excess of BayCom Corp's lending limits because BayCom Corp cannot make such loans and may not be able to find other lenders willing to participate in such loans with BayCom Corp on favorable terms. BayCom Corp expects the foregoing risks to continue to exist with respect to its business following the completion of the Merger.

***Any significant decline in real estate values could materially impair BayCom Corp's profitability and financial condition.***

Approximately 92% and 85.8%, respectively, of UB Bank's and BC Bank's loans are secured by real estate collateral at December 31, 2016. Real estate values are generally affected by factors such as:

- the socioeconomic conditions of the area where real estate collateral is located;
- fluctuations in interest rates;
- property and income tax laws;
- local zoning ordinances governing the manner in which real estate may be used; and
- federal, state and local environmental regulations.

However, declines in real estate values could significantly reduce the value of the real estate collateral securing our loans, increasing the likelihood of defaults. Moreover, if the value of real estate collateral declines to a level that is not enough to provide adequate security for the underlying loans, BayCom Corp may need to make additional loan loss provisions which, in turn, will reduce BayCom Corp's profits. Also, if a borrower defaults on a real estate secured loan, BayCom Corp may be forced to foreclose on the property and carry it as a nonearning asset which, in turn, may reduce net interest income. See "Description of BayCom Corp—Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of First ULB—Management's Discussion and Analysis of Financial Condition and Results of Operations."

***Changing interest rates may adversely affect financial performance.***

Both BayCom Corp's and First ULB's profitability largely depends on the difference between the rates of interest BayCom Corp and First ULB earn on each of their loans and investments, and the interest rates BayCom Corp and First ULB pay on deposits and other borrowings. This relationship, known as the interest rate margin, is subject to fluctuation and is affected by economic and competitive factors which influence interest rates, the volume and mix of interest-earning assets and interest-bearing liabilities, and the level of nonperforming assets. Fluctuations in interest rates will affect the demand of customers for the products and services of the combined bank after the Merger. BayCom Corp and First ULB are subject to interest rate risk to the degree each of their interest-bearing liabilities reprice or mature more slowly or more rapidly or in a different volume or mix than each of their interest-earning assets.

***Current market conditions could cause some of the borrowers of each of BC Bank and UB Bank to be unable to timely repay loans.***

United States financial markets have previously experienced significant disruptions in recent years, due largely to a downturn in the housing market. Interest rates on many subprime mortgage loans have reset, causing borrowers to delay payments or default on their loans. The downturn was prolonged as housing prices continued to decline as a result of excess supply. Many areas have shown signs of price rebound, but wages and the overall economy may not be rebounding at the same pace leading to some continued uncertainty in the real estate market. As a result of the downturn, investors have been less eager to buy mortgage-backed securities and this has resulted in an extended liquidity crisis for some mortgage bankers. While the national economy slowly recovers, borrowers continue to feel the pressure of an uncertain economy.

Neither UB Bank nor BC Bank make subprime loans, nor hold any subprime loans or subprime collateralized debt obligations in their loan or securities portfolios. As of December 31, 2016, UB Bank had \$1.1 million in construction and land development loans, and BC Bank had \$19.7 million in construction loans. If the developers are unable to sell the properties due to another mortgage loan and liquidity crisis, the developers may be delayed or unable to repay UB Bank's or BC Bank's loans.

***Difficult market conditions have adversely affected and may continue to affect our industry.***

BC Bank and UB Bank have been exposed to downturns in the U.S. economy, and particularly the local markets in which BC Bank and UB Bank operate in California with respect to BC Bank and UB Bank, and New Mexico and Washington with respect to UB Bank. The U.S. economy experienced a severe recession commencing in the fourth quarter of 2007 which, like many financial institutions, had an adverse impact on our financial condition, results of operations and the level of each of BC Bank and UB Bank's write-downs on their respective loans. Write-downs caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in many cases, to fail. This market turmoil and the tightening of credit led to increased levels of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and reductions in business activity generally.

The economic recovery to date has been slow and economic pressure on consumers and lack of confidence in the financial markets have continued, to some extent, to adversely affect our business, financial condition and results of operations.

A worsening of financial conditions would likely exacerbate the adverse effects of these difficult market conditions on us and other financial institutions. In particular:

- BayCom Corp and First ULB are facing increased regulation of our industry, as a result of recent regulatory reform initiatives by the U.S. government. Compliance with such regulations will increase our costs and may limit our ability to pursue business opportunities.
- Market developments, government programs and the winding down of various government programs may continue to adversely affect customer confidence levels and may cause adverse changes in borrower behaviors and payment rates, resulting in further increases in delinquencies and default rates, which could affect our loan charge-offs and our provisions for credit losses.
- BayCom Corp's and First ULB's ability to assess the creditworthiness of their respective customers or to estimate the values of their respective assets and collateral for loans will be reduced if the models and approaches BayCom Corp and First ULB use become less predictive of future behaviors, valuations, assumptions or estimates. BayCom Corp and First ULB estimate losses inherent in their respective credit exposure, the adequacy of their respective allowance for loan losses and the values of certain assets by using estimates based on difficult, subjective, and complex judgments, including estimates as to the effects of economic conditions and how these economic conditions might affect the ability of BayCom Corp's and First ULB's borrowers to repay their loans or the value of assets.
- BayCom Corp's and First ULB's ability to borrow from other financial institutions on favorable terms or at all, or to raise capital, could be adversely affected by further disruptions in the capital markets or other events.
- Failures of other depository institutions in the markets in which BayCom Corp and First ULB operate and increasing consolidation of financial services companies as a result of current market conditions could increase BayCom Corp's and First ULB's deposits and assets, necessitating additional capital, and may have unexpected adverse effects upon each of BayCom Corp's and First ULB's ability to compete effectively.

***Another deterioration in economic conditions or slowdown in growth generally could also adversely affect BayCom Corp's and First ULB's business, financial condition, results of operations and prospects. Such a deterioration could result in a variety of adverse consequences to us, including the following:***

- Loan delinquencies may increase, which would cause BayCom Corp and First ULB to increase loan loss provisions, reduce their respective net interest income and their respective earnings and weaken their respective balance sheet;
- Problem assets and foreclosures may increase, which could result in higher operating expenses, as well as possible increases in BayCom Corp's and First ULB's loan loss provisions;
- Demand for BayCom Corp's and First ULB's products and services may decline including specifically, the demand for loans, which would cause their respective revenues, which include net interest income and noninterest income, to decline; and
- Collateral for loans made by BayCom Corp and First ULB may decline in value, reducing a customer's borrowing power, and reducing the value of assets and collateral associated with their respective loans.

***Geopolitical concerns and the heightened risk of terrorism have caused business uncertainty.***

Stock prices domestically and around the world continue to be sensitive and somewhat volatile in the face of current geopolitical concerns and the heightened risk of global terrorism. Businesses and the stock markets continue to face uncertainty created by these shifting geopolitical situations and this could adversely affect our operations as well.

***BayCom Corp's and First ULB's level of credit risk may increase due to BayCom Corp and First ULB's focus on commercial lending***

Commercial real estate and commercial business loans generally are considered riskier than single-family residential loans because they have larger balances to a single borrower or group of related borrowers. Commercial real estate and commercial business loans involve risks because the borrower's ability to repay such a loan usually depends upon the profitability of the borrower's employment, business, or the business that occupies the relevant real property. As a result, if the business that supports payments on a loan declines, the loan may go into default and a work-out is difficult. If BayCom Corp and First ULB foreclose on a property serving as collateral for a loan, which BayCom Corp and First ULB cannot always do because commercial loans are not always secured by property, it often takes a long time to dispose of the property because there are typically few potential purchasers. Should BayCom Corp and First ULB have a number of defaults on these types of loans, these would have a material impact on their respective financial condition and results of operations.

***BayCom Corp and First ULB may experience greater loan losses which would have an adverse effect on their respective earnings.***

The risk of nonpayment of loans is inherent in banking. Each of BayCom Corp and First ULB's loan clients may not repay their loans according to the terms of their respective loans, and collateral securing the payment of those loans may be insufficient to assure repayment. BayCom Corp and First ULB may experience significant loan losses, which could have a material adverse effect on their respective operating results. BayCom Corp's and First ULB's management makes various assumptions and judgments about the collectability of their respective loan portfolios, including the creditworthiness of their respective borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of their respective loans.

BayCom Corp and First ULB continuously strive to manage their respective credit risk by careful underwriting, and also maintain an allowance for loan losses to provide for loan defaults and nonperformance. The allowance is based on a variety of factors, including their respective historical experience, volume and types of loans, trends in classifications, volume and trend in delinquencies and non-accruals, national and local economic conditions, and other pertinent information. If BayCom Corp and First ULB expand into new markets, BayCom Corp's and First ULB's determination of the size of the allowance could be understated due to their respective lack of familiarity with market-specific factors.

If BayCom Corp's and First ULB's assumptions are wrong, their respective current allowance may not be sufficient to cover loan losses, and adjustments may be necessary to allow for different economic conditions or adverse developments in their respective loan portfolio. Material increases to BayCom Corp's and First ULB's allowance would materially decrease our earnings.

In certain situations, where collection efforts are unsuccessful or acceptable work-out arrangements cannot be reached, BayCom Corp and First ULB may have to write off certain loans in whole or in part. In such situations, BayCom Corp and First ULB may acquire real estate or other assets, if any, which secure the loans through foreclosure or other similar available remedies. In such cases, the amount owed under the



defaulted loan may exceed the value of assets acquired. In addition, federal and state regulators periodically review BayCom Corp's and First ULB's allowance for loan losses and may require BayCom Corp and First ULB to increase their respective provision for loan losses or recognize further loan charge-offs based on judgments different from those of their respective management.

Therefore, BayCom Corp and First ULB cannot assure you that their respective monitoring, procedures and policies will reduce certain lending risks or that their respective allowance for loan losses will be adequate to cover actual losses. If BayCom Corp and First ULB experience greater nonpayment levels than anticipated, or BayCom Corp and First ULB must increase their respective allowance, BayCom Corp's and First ULB's earnings and overall financial condition, as well as the value of their respective common stock, could be adversely affected.

***BayCom Corp and First ULB rely on their respective management and other key personnel, and the loss of any of them may adversely affect their respective operations.***

BayCom Corp and First ULB are dependent upon the services of their respective executive management teams. In addition, BayCom Corp and First ULB will continue to depend on their respective ability to retain and recruit key members of management. The unexpected loss of services of any key management personnel or banking officers could have an adverse effect on their respective business and financial condition because of their skills, knowledge of their respective market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

***An increase in our nonperforming assets may hurt our businesses.***

Nonperforming assets are mainly loans in which the borrowers are not making their required payments. Nonperforming assets also include loans that have been restructured to permit the borrower to have smaller payments and real estate that has been acquired through foreclosure of unpaid loans. To the extent that assets are non-performing, UB Bank and BC Bank would have less liquidity available for lending and other activities. BayCom Corp and First ULB will continually evaluate the credit risks of nonperforming assets and other problem loans, however, the ultimate resolution or disposition of those assets and loans cannot be guaranteed.

***If BayCom Corp and First ULB are unable to attract core deposits or continue to obtain third party financing on favorable terms, our cost of funds will increase, which could adversely affect us.***

BayCom Corp and First ULB derive liquidity through core deposit growth, maturity of money market investments, and maturity and sale of investment securities and loans. Additionally, BayCom Corp and First ULB have access to financial market borrowing sources on an unsecured, as well as collateralized basis, for both short-term and long-term purposes including, but not limited to, the Federal Home Loan Bank of which BayCom Corp and First ULB are members. If these funding sources are not sufficient, BayCom Corp and First ULB may have to acquire funds through higher-cost sources, adversely affecting our ability to generate the funds necessary for lending operations, reducing net interest margin and negatively affecting our financial condition and results of operations.

***Current and future monetary policies may have an adverse effect on BayCom Corp's and First ULB's operations and financial condition.***

Banking is a business that depends on rate differentials. In general, the difference between the interest rate paid by BayCom Corp and First ULB on deposits and other borrowings and the interest rate earned by BayCom Corp and First ULB on loans, securities and other interest-earning assets comprises the

major source of their respective earnings. These rates are highly sensitive to many factors which are beyond our control and, accordingly, their respective earnings and growth are subject to the influence of economic conditions generally, both domestic and foreign, including inflation, recession, and unemployment; and also to the influence of monetary and fiscal policies of the United States and its agencies, particularly the FRB. The FRB implements national monetary policy, such as seeking to curb inflation and combat recession, by its open-market dealings in United States government securities, by adjusting the required level of reserves for financial institutions subject to reserve requirements, by placing limitations upon savings and time deposit interest rates, and through adjustments to the discount rate applicable to borrowings by banks which are members of the Federal Reserve System. The actions of the FRB in these areas influence the growth of bank loans, investments, and deposits and also affect interest rates. The nature and timing of any future changes in such policies and their impact on BayCom Corp and First ULB cannot be predicted; however, the impact on their respective net interest margin, whether positive or negative, depends on the degree to which their respective interest-earning assets and interest-bearing liabilities are rate sensitive.

***Noncompliance with the USA Patriot Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.***

The USA Patriot and Bank Secrecy Acts require financial institutions to maintain programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions. Although BayCom Corp and First ULB have each developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations.

***BayCom Corp's and First ULB's deposit insurance premium or assessment rate could be higher in the future, which could have a material adverse effect on their respective future results of operations.***

The FDIC insures deposits at FDIC-insured financial institutions, including UB Bank and BC Bank. The FDIC charges the insured financial institutions assessments to maintain the Deposit Insurance Fund at a certain level; if an FDIC-insured financial institution fails, payments of deposits up to insured limits are made from the Deposit Insurance Fund. An increase in the risk category of UB Bank or BC Bank, adjustments to assessment rates and/or a special assessment could have an adverse effect on their respective results of operations.

***The banking industry, and UB Bank and BC Bank in particular, operate under certain regulatory requirements that may change significantly and in a manner that further impairs revenues, operating income and financial condition.***

UB Bank and BC Bank operate in a highly regulated industry and are subject to examination, supervision and comprehensive regulation by the OCC, with respect to UB Bank, and by the DBO, and the FRB, with respect to BC Bank. These regulations affect our investment practices, lending activities and dividend policy, among other things. Moreover, federal and state banking laws and regulations undergo frequent and often significant changes and have been subject to significant change in recent years, sometimes retroactively applied, and may change significantly in the future. Changes to these laws and regulations or other actions by regulatory agencies could, among other things, make regulatory compliance more difficult or expensive for us, limit the products BayCom Corp and First ULB can offer or increase the

ability of nonbanks to compete and could adversely affect us in significant but unpredictable ways, which in turn could have a material adverse effect on their respective financial condition or results of operations.

Federal banking agencies regulate many aspects of BayCom Corp's and First ULB's operations. Many of the regulations are intended to protect depositors, the public or the Deposit Insurance Fund of the FDIC, not shareholders. As a result, governmental regulations may constrain their respective operations and activities. These areas include:

- the kinds of loans that can be made and lending practices;
- dividend policy;
- the capital that must be maintained;
- the kinds of activities in which BayCom Corp and First ULB may engage;
- the kinds and amounts of investments BayCom Corp and First ULB can make;
- how much must be set aside for loan loss reserves;
- the locations of their respective offices;
- insurance of BC Bank's and UB Bank's deposits and the premiums BC Bank and UB Bank must pay for this insurance; and
- how much cash BayCom Corp and First ULB must set aside as reserves for deposits.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), instituted major changes to the banking and financial institutions regulatory regimes in light of the performance of and government intervention in the financial services sector. Included in the Dodd-Frank Act are, for example, changes related to deposit insurance assessments, executive compensation and corporate governance requirements, payment of interest on demand deposits, interchange fees and overdraft services. The Dodd-Frank Act also requires the implementation of the "Volcker Rule" for insured depository institutions and their holding companies, which prohibits proprietary trading, investment in and sponsorship of hedge funds and private equity funds, and otherwise limits the relationships with such funds. New rules have been issued by the federal banking agencies implementing provisions of the Dodd-Frank Act, some of which have a phased-in compliance period, and certain rules still have yet to be written, making it difficult at this time to anticipate the overall financial impact of this expansive legislation on BayCom Corp's and First ULB's operations, their respective customers or the financial industry generally. Likewise, any new or revised regulations implementing the consumer financial protection laws issued by the Consumer Financial Protection Bureau, which was established pursuant to the Dodd-Frank Act, would impact all insured depository institutions, and may increase BayCom Corp's and First ULB's compliance and operational costs in the future.

In addition, the banking regulatory agencies adopted a final rule in July 2013 that implements the Basel III changes to the international regulatory capital framework and revises the U.S. risk-based and leverage capital requirements for U.S. banking organizations to strengthen identified areas of weakness in the capital rules and to address relevant provisions of the Dodd-Frank Act. The final rule establishes a stricter regulatory capital framework that requires banking organizations to hold more and higher-quality capital to act as a financial cushion to absorb losses and help banking organizations better withstand periods of financial stress. In certain situations these additional capital requirements may be countercyclical and therefore, accelerate operational and regulatory challenges.

BayCom Corp and First ULB cannot predict the substance or impact of pending or future legislation or regulation. BayCom Corp's and First ULB's compliance with these laws and regulations has become an ever increasing cost to each of them and may restrict certain of their respective activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged, interest rates paid on

deposits, access to capital and brokered deposits and locations of banking offices. Banking laws and regulations change from time to time. Bank regulation can affect BayCom Corp's and First ULB's ability to compete with financial services companies that are not regulated or are less regulated. Bank regulation also subjects BayCom Corp and First ULB to material compliance costs. If BayCom Corp and First ULB fail to comply, the relevant banking agencies may limit their respective activities or growth, impose fines, penalties and sanctions or ultimately require BayCom Corp and First ULB to divest their interests in BC Bank and UB Bank, respectively. See "Supervision and Regulation."

***BayCom Corp plans to continue to grow and there are risks associated with growth.***

BayCom Corp intends to continue to expand its businesses and operations to increase deposits and loans. Continued growth may present operating and other problems that could adversely affect its business, financial condition and results of operations. BayCom Corp's growth may place a strain on its administrative, operational, personnel and financial resources and increase demands on its systems and controls. BayCom Corp's ability to manage growth successfully will depend on its ability to attract qualified personnel and maintain cost controls and asset quality while attracting additional loans and deposits on favorable terms, as well as on factors beyond its control, such as economic conditions and interest rate trends. If BayCom Corp grows too quickly and is not able to attract qualified personnel, control costs and maintain asset quality, this continued rapid growth could materially adversely affect its financial performance.

***BayCom Corp and First ULB rely heavily on technology and computer systems, and computer failure could result in loss of business and adversely affect our financial condition and results of operations.***

Advances and changes in technology could significantly affect our businesses, financial condition, results of operations and future prospects. BayCom Corp and First ULB face many challenges, including the increased demand for providing customers access to their accounts and the systems to perform banking transactions electronically. Our ability to compete depends on our ability to continue to adapt technology on a timely and cost-effective basis to meet these demands. In addition, our business and operations are susceptible to negative effects from computer system failures, communication and energy disruption and unethical individuals with the technological ability to cause disruptions or failures of its data processing systems.

***Risks associated with our Internet-based systems and online commerce security, including "hacking" and "identify theft," could adversely affect our business.***

Both UB Bank and BC Bank rely heavily upon data processing, including loan servicing and deposit processing software, communications systems and information systems from a number of third parties to conduct our business. Third party, or external systems and networks may fail to operate properly or become disabled due to deliberate attacks or unintentional events. BC Bank's and UB Bank's operations are also vulnerable to disruptions from human error, natural disasters, power loss, computer viruses, spam attacks, denial of service attacks, unauthorized access and other unforeseen events. Undiscovered data corruption could render our customer information inaccurate. These events may obstruct BC Bank's and UB Bank's ability to provide services and process transactions. While BayCom Corp and First ULB believe each are in compliance with all applicable privacy and data security laws, an incident could put their respective customer confidential information at risk.

A breach in the security of any of BayCom Corp's and First ULB's information systems, or other cyber incident, could have an adverse impact BayCom Corp and First ULB, among other things, their respective revenues, their respective ability to attract and maintain customers and their respective business

reputations. In addition, as a result of any breach, BayCom Corp and First ULB could incur higher costs to conduct their respective business, to increase protection, or related to remediation.

***BayCom Corp and First ULB are subject to risks of natural disasters.***

A major natural disaster, such as an earthquake, could result in material loss to BayCom Corp and First ULB. BayCom Corp's operations are concentrated in Contra Costa, Alameda, Santa Clara, San Joaquin and Napa Counties in Northern and Central California. First ULB's operations are concentrated in Alameda, Los Angeles, Sacramento, Santa Clara and San Francisco Counties in Northern and Southern California. California is an earthquake-prone region. Many of BayCom Corp's and First ULB's borrowers could suffer uninsured property damage, experience interruption of their businesses or lose their jobs after an earthquake. Those borrowers might not be able to repay their loans, and the collateral for loans could decline significantly in value. Unlike a larger bank with operations that are more geographically diversified, BayCom Corp and First ULB are vulnerable to greater losses if an earthquake, fire, flood or other natural catastrophe occurs in Northern, Central and Southern California.

**A WARNING ABOUT FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Joint Proxy Statement/Offering Circular, including, without limitation, statements containing the words "believes," "anticipates," "intends," "expects," and words of similar import, constitute "forward-looking statements." These forward looking statements, including among others those found in "Questions and Answers About the Meetings and the Merger," "Summary," and "Joint Proposal 1—the Merger," involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the combined companies to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

In particular, statements in this Joint Proxy Statement/Offering Circular regarding expected cost savings to result from the Merger, the anticipated accretive effect to earnings of the combined enterprise, an improved ability to compete with larger competitors, restructuring charges expected to be incurred in connection with the Merger, and the operation of the combined banks are forward-looking statements. With respect to estimated cost savings, BayCom Corp made assumptions about the anticipated overlap between the costs of the two banks for data processing and other operations, the amount of general and administrative expenses, the costs of integrating the two bank's data processing systems, the size of anticipated reductions in fixed labor costs, the effort involved in aligning accounting policies and the transactional costs of the Merger. The realization of the anticipated cost savings is subject to, among other risks, the risk of the foregoing assumptions being inaccurate.

In addition to the risks discussed in "Risk Factors," the following factors may also affect the accuracy of forward-looking statements in this Joint Proxy Statement/Offering Circular:

- The effect of changing regional and national economic conditions, especially as they may affect the demand for loans and other banking services or lead to increased loan losses.
- Potential losses of businesses and population in the Counties of Contra Costa, Alameda, Santa Clara, San Joaquin and Napa.
- The effects of trade, monetary and fiscal policies and laws.
- Increasing or decreasing interest rate environments, or changing interest rate policies of the FRB, that could lead to decreased net interest margin and volatility of rate sensitive loans and deposits.
- Stock, bond market and monetary fluctuations.

- Risks of loss of funding of Small Business Administration (“SBA”) loan programs, or changes in those programs.
- Credit risks of commercial, SBA, real estate, consumer and other lending activities, including risks related to changes in the values of real estate and other security for loans.
- Risks associated with concentrations, including commercial real estate loans, in the loan portfolio.
- Lack of take-out financing or problems with sales or lease-up with respect to construction and land development loans.
- Changes in federal and state banking and financial services laws and regulations.
- Competitors in the banks’ market area with greater financial resources.
- Competitors in the banks’ market area of similar size, with similar business plans and/or offering similar services.
- The ability to develop competitive new products and services and the acceptance of those products and services by targeted customers and, when required, regulators.
- The ability to securely and effectively implement new technology (including Internet services) for both the delivery of services and internal operations.
- The willingness of customers to substitute competitors’ products and services for the banks’ products and services and vice versa.
- Unanticipated regulatory or judicial proceedings.
- The loss of significant customers.
- The loss of executives or key employees.
- Credit quality deterioration among the banks’ current or future customers that could cause an increase in the provision for loan losses.
- Dividend restrictions.
- Other internal and external developments that could materially impact the banks’ operational and financial performance.

Given these uncertainties, you are cautioned not to place undue reliance on forward-looking statements made in this Joint Proxy Statement/Offering Circular, which speak only as of the date of this Joint Proxy Statement/Offering Circular. All subsequent written and oral forward-looking statements concerning the Merger or other matters addressed in this Joint Proxy Statement/Offering Circular and attributable to First ULB or BayCom Corp or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, First ULB and BayCom Corp undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/offering circular or to reflect the occurrence of unanticipated events.

## **MARKET PRICES AND DIVIDENDS**

### **BayCom Corp Market Information**

BayCom Corp’s equity securities consist of common stock, of which there were 5,472,426 shares outstanding, held by approximately 385 shareholders of record on January 20, 2017, and preferred stock, of which no shares are outstanding.

The common stock of BayCom Corp has been quoted under the ticker symbol “BCML” on the OTCQB since January 2017. Prior to the bank holding company reorganization, BC Bank was quoted under

that ticker symbol. Trading in shares of BC Bank common stock has not been extensive and such trades cannot be characterized as constituting an active trading market. Trades may also occur in unreported private transactions. The OTCQB is a regulated quotation service that displays real-time quotes, last-sale prices and volume information in over-the-counter equity securities. Unlike a national securities exchange, such as the New York Stock Exchange or the NASDAQ, the OTCQB does not extensive listing standards and does not provide automated trade executions.

The following table sets forth the high and low bid prices for shares of BayCom Corp’s common stock for the first quarter of 2017 and BC Bank’s common stock for the other periods indicated. Bid prices are based on information received from the OTCQB based on all transactions reported on the OTCQB. Such information reflects inter-dealer prices, without retail markups, markdowns or commissions and may not reflect actual transactions.

	<u>Trading Price</u>		<u>Shares Traded</u>
	<u>High</u>	<u>Low</u>	
<b><u>2015</u></b>			
First Quarter	\$11.90	\$11.45	297,100
Second Quarter	\$12.75	\$11.55	221,700
Third Quarter	\$12.25	\$11.50	257,800
Fourth Quarter	\$13.36	\$12.03	650,600
<b><u>2016</u></b>			
First Quarter	\$13.25	\$11.96	107,500
Second Quarter	\$12.08	\$11.58	225,000
Third Quarter	\$12.42	\$11.99	660,600
Fourth Quarter	\$14.92	\$12.30	371,600
<b><u>2017</u></b>			
January 1 <sup>st</sup> – March 1 <sup>st</sup>	\$16.70	\$14.80	165,000

The last reported trade of BayCom Corp common stock prior to the finalization of this Joint Proxy Statement/Offering Circular was on March 1, 2017, at \$16.70. The last reported trade of BC Bank’s common stock on the date prior to the announcement of the Merger was on December 14, 2016, at \$13.20 per share.

Although the shares you receive in exchange for your shares of First ULB common stock will not have any trading restrictions unless you are an “affiliate” of BC Bank or BayCom Corp, because of the absence of an active trading market for the shares of BayCom Corp common stock, you may not be able to liquidate your shares of BayCom Corp common stock should you need to do so.

### **BayCom Corp Dividends**

As a bank holding company that currently has no significant assets other than its equity interest in BC Bank, the ability of BayCom Corp to declare dividends depends primarily upon dividends it receives from BC Bank. The dividend practice of BC Bank, like the dividend practice of BayCom Corp, will depend upon its earnings, financial position, current and anticipated cash requirements and other factors deemed relevant by its Board of Directors at the time.

Shareholders of BC Bank are entitled to dividends when, as and if declared by its Board of Directors out of funds legally available therefor. Since BC Bank is a state-chartered bank, its ability to pay dividends or make distributions to its shareholders is subject to restrictions set forth in the California Financial Code

("CFC") and regulations of the DBO. The CFC provides that neither a bank nor any majority-owned subsidiary of a bank may make a distribution to its shareholders in an amount which exceeds the lesser of (i) the bank's retained earnings or (ii) the bank's net income for its last three fiscal years, less the amount of any distributions made by the bank or by any majority-owned subsidiary of the bank during such period. Notwithstanding the foregoing, a bank may, with the prior approval of the DBO, make a distribution to the shareholders of the bank in an amount not exceeding the greatest of: (i) the bank's retained earnings; (ii) the net income of the bank for its last fiscal year; or (iii) the net income of the bank for its current fiscal year. If the DBO finds that the shareholders' equity of the bank is inadequate or that the making of a distribution by a bank would be unsafe or unsound, the DBO may order the bank to refrain from making a proposed distribution. The payment of any cash dividends by a bank also depends on the bank meeting applicable regulatory capital requirements.

A bank must also consider other factors in determining the payment of dividends, including the maintenance of an adequate reserve for loan losses and the need to revise or develop a comprehensive capital plan, complete with financial projections, budgets and dividend guidelines.

The holders of BayCom Corp common stock are entitled to receive dividends when and as declared by its Board of Directors out of funds legally available therefor, subject to the restrictions set forth in California General Corporation Law ("CGCL"). The CGCL provides that a corporation may make a distribution to its shareholders if the corporation's retained earnings equal at least the amount of the proposed distribution. The CGCL further provides that, in the event that sufficient retained earnings are not available for the proposed distribution, a corporation may nevertheless make a distribution to its shareholders if it meets two conditions, which generally are as follows: (i) the corporation's assets equal at least 1/4 times its liabilities; and (ii) the corporation's current assets equal at least its current liabilities or, if the average of the corporation's earnings before taxes on income and before interest expense for two preceding fiscal years was less than the average of the corporation's interest expense for such fiscal years, then the corporation's current assets must equal at least 1/4 times its current liabilities.

BayCom Corp has not paid any cash dividends since inception and has instead retained earnings for the purpose of increasing capital to support growth. The payment of dividends by BayCom Corp will depend on the company's net income, financial condition, regulatory requirements and other factors, including the results of BC Bank's operations. BayCom Corp intends to continue to follow its existing policy of retaining earnings to increase capital for future growth, and will not pay cash dividends in the foreseeable future. Further, BC Bank and BayCom Corp have agreed in the Merger Agreement not to declare any dividends while the Merger is pending, without the prior written consent of First ULB.

For more information about BayCom Corp dividends and restrictions thereto, please see the section entitled "Comparisons Between First ULB and BayCom Corp—Dividends."

### **First ULB Market Information**

First ULB's equity securities consist of common stock, of which there were 1,409,938 shares outstanding, held by 186 shareholders of record on March 1, 2017, and preferred stock, of which no shares are outstanding.

The last reported trade of First ULB common stock prior to the finalization of this Joint Proxy Statement/Offering Circular was on March 1, 2017, at \$27.65. The last reported trade of First ULB's common stock on the date prior to the announcement of the Merger was on October 5, 2016, at \$16.20 per share.



Trading in First ULB’s common stock has not been extensive and such trades cannot be characterized as constituting an active trading market. First ULB’s common stock is not listed on any national securities exchange, although it is quoted under the ticker symbol “FUBP.” Trades may also occur in unreported private transactions. The OTCBB is a regulated quotation service that displays real-time quotes, last-sale prices and volume information in over-the-counter equity securities. Unlike a national securities exchange, such as the New York Stock Exchange or the NASDAQ, the OTCBB does not impose listing standards and does not provide automated trade executions.

The following table sets forth the high and low bid prices for shares of First ULB’s common stock for the periods indicated. Bid prices are based on information received from the OTCBB based on all transactions reported on the OTCBB. Such information reflects inter-dealer prices, without retail markups, markdowns or commissions and may not reflect actual transactions.

	<u>Trading Price</u>		<u>Shares Traded</u>
	<u>High</u>	<u>Low</u>	
<b><u>2015</u></b>			
First Quarter	\$14.15	\$14.05	6,578
Second Quarter	\$14.55	\$14.15	400
Third Quarter	\$15.50	\$14.50	400
Fourth Quarter	\$15.25	\$15.25	435
<b><u>2016</u></b>			
First Quarter	\$15.30	\$15.25	100
Second Quarter	\$15.30	\$15.30	100
Third Quarter	\$16.01	\$15.50	3,000
Fourth Quarter	\$25.75	\$16.01	5,472
<b><u>2017</u></b>			
January 1 <sup>st</sup> – March 1 <sup>st</sup>	\$27.65	\$25.75	1,376

### **First ULB Dividends**

As a savings and loan holding company that currently has no significant assets other than its equity interest in UB Bank, the ability of First ULB to declare dividends depends primarily upon dividends it receives from UB Bank. The dividend practice of UB Bank, like the dividend practice of First ULB, will depend upon its earnings, financial position, current and anticipated cash requirements and other factors deemed relevant by its Board of Directors at the time.

Shareholders of the UB Bank are entitled to dividends when, as and if declared by its Board of Directors out of funds legally available therefor. Since UB Bank is a federal savings bank, the OCC imposes various restrictions or requirements on UB Bank’s ability to make capital distributions, including cash dividends. The OCC’s prior approval is required if the total of all distributions, including the proposed distribution, declared by a federal savings association in any calendar year would exceed an amount equal to UB Bank’s net income for the year-to-date plus UB Bank’s retained net income for the previous two years, or that would cause UB Bank to be less than well capitalized. In addition, section 10(f) of the Home Owners’ Loan Act requires a subsidiary savings association of a savings and loan holding company, such as UB Bank, to file a notice with the FRB prior to declaring certain types of dividends.

The holders of First ULB common stock are entitled to receive dividends when and as declared by its Board of Directors out of funds legally available therefor, subject to the restrictions set forth in CGCL. The CGCL provides that a corporation may make a distribution to its shareholders if the corporation’s

retained earnings equal at least the amount of the proposed distribution. The CGCL further provides that, in the event that sufficient retained earnings are not available for the proposed distribution, a corporation may nevertheless make a distribution to its shareholders if it meets two conditions, which generally are as follows: (i) the corporation's assets equal at least 1¼ times its liabilities; and (ii) the corporation's current assets equal at least its current liabilities or, if the average of the corporation's earnings before taxes on income and before interest expense for two preceding fiscal years was less than the average of the corporation's interest expense for such fiscal years, then the corporation's current assets must equal at least 1¼ times its current liabilities.

First ULB has not paid any cash dividends since inception and has instead retained earnings for the purpose of increasing capital to support growth. The payment of dividends by First ULB will depend on the company's net income, financial condition, regulatory requirements and other factors, including the results of UB Bank's operations. First ULB intends to continue to follow its existing policy of retaining earnings to increase capital for future growth, and will not pay cash dividends in the foreseeable future. Further, UB Bank and First ULB have agreed in the Merger Agreement not to declare any dividends while the Merger is pending.

## **THE BAYCOM CORP MEETING**

### **General**

BayCom Corp will hold its special meeting of shareholders on Monday, April 10, 2017 at 11:00 a.m. (local time), at BC Bank's headquarters located at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California 94596. At the special meeting, BayCom Corp shareholders will be asked to consider and vote upon:

- a proposal to approve the principal terms of the Merger Agreement and the Merger; and
- a proposal to grant discretionary authority to adjourn the special meeting on one or more occasions, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or any adjournment or postponement of that meeting, to approve the principal terms of the Merger Agreement and the Merger.

### **Recommendation of the BayCom Corp Board of Directors**

The BayCom Corp Board of Directors has approved the Merger Agreement and the transactions contemplated by the Merger Agreement. The BayCom Corp Board of Directors believes that the Merger is in the best interests of BayCom Corp and its shareholders. Accordingly, the BayCom Corp Board of Directors recommends that BayCom Corp shareholders vote "**FOR**" approval of the principal terms of the Merger Agreement and the Merger and "**FOR**" the proposal to adjourn the special meeting, if necessary, to solicit additional votes in favor of the approval of the principal terms of the Merger Agreement and the Merger. See "Joint Proposal 1—The Merger—BayCom Corp's Reasons for the Merger" for a more detailed discussion of BayCom Corp's Board of Directors' recommendation.

### **Record Date; Stock Entitled to Vote; Quorum**

Only holders of record of BayCom Corp common stock at the close of business on March 1, 2017, the record date for the BayCom Corp special meeting, are entitled to receive notice of and to vote at the special meeting. On the record date, BayCom Corp had 5,472,246 shares of its common stock issued, outstanding and entitled to vote at the special meeting held by approximately 382 holders of record. A majority of the shares of BayCom Corp common stock issued and outstanding and entitled to vote on the record date must be represented in person or by proxy at the special meeting in order for a quorum to be

present for purposes of transacting business. All shares of BayCom Corp common stock, whether present in person or represented by proxy, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the BayCom Corp special meeting. A broker non-vote occurs under stock exchange rules when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given. In the event that a quorum is not present, it is expected that the special meeting will be adjourned or postponed to solicit additional proxies.

### **Number of Votes**

Each shareholder of record as of the record date is entitled to cast one vote, in person or by proxy, for each share of common stock held on each proposal to be submitted to the BayCom Corp shareholders.

### **Votes Required – Merger**

Approval of the principal terms of the Merger Agreement and the Merger requires the affirmative vote of at least a majority of the shares of BayCom Corp common stock outstanding and entitled to vote at the special meeting. Abstentions and broker nonvotes will have the same effect as a vote against the approval of the principal terms of the Merger Agreement and the Merger.

As of the record date, BayCom Corp and BC Bank's directors and executive officers owned, in the aggregate, 528,776 shares, representing approximately 9.7%, of BayCom Corp's issued and outstanding shares of common stock entitled to vote. All such directors and executive officers have entered into voting agreements with BayCom Corp, BC Bank, First ULB and UB Bank and have agreed to vote to approve the principal terms of the Merger Agreement and the Merger.

### **Votes Required – Proposal to Approve Adjournment of the Special Meeting**

The proposal to grant discretionary authority to adjourn the meeting requires the affirmative vote of (i) a majority of the shares represented and voting at the meeting, and (ii) a majority of the quorum to transact business at the meeting. Abstentions and broker nonvotes will have the effect of a "NO" vote on this proposal if the number of affirmative votes cast for the proposal is a majority of the votes cast but does not constitute a majority of the quorum required to transact business at the meeting. Abstentions and broker nonvotes will have no effect on this proposal if the number of affirmative votes cast for the proposal is a majority of the votes cast but does not constitute a majority of the quorum required to transact business at the meeting. Abstentions and broker nonvotes will have no effect on this proposal if the number of affirmative votes cast for the proposal is a majority of the votes cast and constitutes a majority of the quorum required to transact business at the meeting.

Even though a quorum may be present at the special meeting, it is possible that BayCom Corp may not have received sufficient votes to approve the principal terms of the Merger Agreement and the Merger by the time of the special meeting. In that event, BayCom Corp would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to approve the principal terms of the Merger Agreement and the Merger. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy card. If the special meeting is adjourned for 45 days or less, BayCom Corp is not required to give notice of the time and place of the adjourned meeting, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the Board of Directors fixes a new record date for the special meeting. The BayCom Corp Board of Directors retains full authority to the extent set forth in BayCom Corp's Bylaws and California law to adjourn the special meeting for any

other purpose, or to postpone the special meeting before it is convened, without the consent of any BayCom Corp shareholders.

### **Voting of Proxies; Incomplete Proxies**

Each copy of this Joint Proxy Statement/Offering Circular mailed to holders of BayCom Corp common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a shareholder of record, you should complete and return the proxy card accompanying this Joint Proxy Statement/Offering Circular, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card, regardless of whether you plan to attend the special meeting.

If you hold your stock in “street name” through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

All shares represented by valid proxies (including those given by telephone or the Internet) that are received through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted “FOR” approval of the Merger Agreement and the Merger, and “FOR” approval of the adjournment proposal. No matters other than the matters described in this Joint Proxy Statement/Offering Circular are anticipated to be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

### **Shares Held in “Street Name,” Broker Non-Votes**

Under stock exchange rules, banks, brokers and other nominees who hold shares of BayCom Corp common stock in “street name” for a beneficial owner of those shares typically have the authority to vote in their discretion on “routine” proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be “non-routine,” such as approval of the Merger Agreement proposal, without specific instructions from the beneficial owner. Broker nonvotes are shares held by a broker, bank or other nominee that are represented at the BayCom Corp special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. It is expected that brokers, banks and other nominees will not have discretionary authority to vote on the proposals with respect to the Merger Agreement and the Merger and, as a result, BayCom Corp anticipates that there will not be any broker nonvotes cast in connection with these proposals. Therefore, if your broker, bank or other nominee holds your shares of BayCom Corp common stock in “street name,” your broker, bank or other nominee will vote your shares of BayCom Corp common stock only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this Joint Proxy Statement/Offering Circular.

### **Revocability of Proxies and Changes to a BayCom Corp Shareholder’s Vote**

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to BayCom Corp’s corporate secretary, (3) voting again by telephone or the Internet, or (4) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying BayCom Corp's corporate secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

BayCom Corp  
500 Ygnacio Valley Road, Suite 200  
Walnut Creek, California 94596  
Attn: Corporate Secretary

If your shares are held in "street name" by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.

### **Solicitation of Proxies**

BayCom Corp's Board of Directors is soliciting the proxies for the BayCom Corp special meeting. BayCom Corp will pay for the cost of solicitation of proxies. In addition to solicitation by mail, BayCom Corp directors, officers and employees may also solicit proxies from shareholders by telephone, facsimile, telegram or in person. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to send the proxy materials to beneficial owners. BayCom Corp will, upon request, reimburse those brokerage houses and custodians for their reasonable expenses in so doing.

### **Attending the Meeting**

All holders of BayCom Corp common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. BayCom Corp reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

### **Assistance**

If you have any questions concerning the Merger or this Joint Proxy Statement/Offering Circular, BayCom Corp shareholders should contact Keary L. Colwell, Chief Financial Officer of BayCom Corp at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California 94596, (925) 476-1800 or at [kcolwell@bcb-ca.com](mailto:kcolwell@bcb-ca.com). If BayCom Corp shareholders would like additional copies of this proxy statement/offering circular, or need help voting their shares of BayCom Corp common stock, please contact Agnes Chui, BayCom Corp's assistant secretary, at (925) 476-1843.

## THE FIRST ULB MEETING

### General

First ULB will hold its special meeting of shareholders on Monday, April 10, 2017 at 9:00 a.m. (local time), at UB Bank's headquarters located at 100 Hegenberger Road, Suite 220, Oakland, California 94621. At the special meeting, First ULB shareholders will be asked to consider and vote upon:

- a proposal to approve the principal terms of the Merger Agreement and the Merger; and
- a proposal to grant discretionary authority to adjourn the special meeting on one or more occasions, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or any adjournment or postponement of that meeting, to approve the principal terms of the Merger Agreement and the Merger.

### Recommendation of First ULB's Board of Directors

First ULB's Board of Directors determined that the Merger, the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of First ULB and its shareholders and has approved the Merger and the Merger Agreement. First ULB's Board of Directors recommends that First ULB shareholders vote **"FOR"** approval of the Merger Agreement and **"FOR"** the proposal to adjourn the special meeting, if necessary, to solicit additional votes in favor of the approval of the principal terms of the Merger Agreement and the Merger. See "The Merger—First ULB Reasons for the Merger" for a more detailed discussion of First ULB's Board of Directors' recommendation.

### Record Date; Stock Entitled to Vote; Quorum

Only holders of record of First ULB common stock at the close of business on March 1, 2017, the record date for the First ULB special meeting, are entitled to receive notice of and to vote at the meeting. On the record date, First ULB had 1,409,938 shares of its common stock issued, outstanding and entitled to vote at the special meeting held by approximately 186 holders of record. A majority of the shares of First ULB common stock issued and outstanding and entitled to vote on the record date must be represented in person or by proxy at the special meeting in order for a quorum to be present for purposes of transacting business. All shares of First ULB common stock, whether present in person or represented by proxy, including abstentions and broker nonvotes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the First ULB special meeting. A broker nonvote occurs under stock exchange rules when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given. In the event that a quorum is not present, it is expected that the special meeting will be adjourned or postponed to solicit additional proxies. Each shareholder of record as of the record date is entitled to cast one vote, in person or by proxy, for each share of common stock held on each proposal to be submitted to the First ULB shareholders.

### Votes Required — Merger

Approval of the principal terms of the Merger Agreement and the Merger requires the affirmative vote of at least a majority of the shares of First ULB common stock outstanding and entitled to vote at the special meeting. Abstentions and broker nonvotes will have the same effect as a vote against the approval of the principal terms of the Merger Agreement and the Merger.

As of the record date, First ULB and UB Bank directors owned, in the aggregate, 23,038 shares, representing approximately 1.6%, of First ULB's issued and outstanding shares of common stock entitled

to vote. All such directors have informed First ULB that they intend to vote to approve all proposals to be submitted to the First ULB shareholders at the special meeting. In addition, BayCom Corp has entered into non-competition and voting agreements with all of First ULB and UB Bank directors, other than Nicholas Dyer who entered into a voting agreement, who have agreed to vote to approve the principal terms of the Merger Agreement and the Merger.

### **Votes Required — Proposal to Approve Adjournment of the Special Meeting**

The proposal to grant discretionary authority to adjourn the meeting requires the affirmative vote of (i) a majority of the shares represented and voting at the meeting, and (ii) a majority of the quorum to transact business at the meeting. Abstentions and broker nonvotes will have the effect of a “NO” vote on this proposal if the number of affirmative votes cast for the proposal is a majority of the votes cast but does not constitute a majority of the quorum required to transact business at the meeting. Abstentions and broker nonvotes will have no effect on this proposal if the number of affirmative votes cast for the proposal is a majority of the votes cast but does not constitute a majority of the quorum required to transact business at the meeting. Abstentions and broker nonvotes will have no effect on this proposal if the number of affirmative votes cast for the proposal is a majority of the votes cast and constitutes a majority of the quorum required to transact business at the meeting.

Even though a quorum may be present at the special meeting, it is possible that First ULB may not have received sufficient votes to approve the principal terms of the Merger Agreement and the Merger by the time of the special meeting. In that event, First ULB would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to approve the principal terms of the Merger Agreement and the Merger. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy card. If the special meeting is adjourned, First ULB is not required to give notice of the time and place of the adjourned meeting, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the Board of Directors fixes a new record date for the special meeting or if the adjournment is for more than 30 days. The First ULB Board of Directors retains full authority to the extent set forth in First ULB’s Amended and Restated Bylaws and California law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any First ULB shareholders.

### **Voting of Proxies; Incomplete Proxies**

Each copy of this Joint Proxy Statement/Offering Circular mailed to holders of First ULB common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a shareholder of record, you should complete and return the proxy card accompanying this Joint Proxy Statement/Offering Circular, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card, regardless of whether you plan to attend the special meeting.

If you hold your stock in “street name” through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

First ULB shareholders should not send First ULB stock certificates with their proxy cards. If the Merger is consummated, holders of First ULB common stock will be mailed separately a form letter of transmittal with instructions on how to exchange their First ULB stock certificates for the merger consideration.

All shares represented by valid proxies (including those given by telephone or the Internet) that are received through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted “FOR” approval of the Merger Agreement and the Merger and “FOR” approval of the adjournment proposal. No matters other than the matters described in this Joint Proxy Statement/Offering Circular are anticipated to be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

### **Shares Held in “Street Name”; Broker Non-Votes**

Under stock exchange rules, banks, brokers and other nominees who hold shares of First ULB common stock in “street name” for a beneficial owner of those shares typically have the authority to vote in their discretion on “routine” proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be “non-routine,” such as approval of the Merger Agreement proposal, without specific instructions from the beneficial owner. Broker nonvotes are shares held by a broker, bank or other nominee that are represented at the First ULB special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. It is expected that brokers, banks and other nominees will not have discretionary authority to vote on either proposal and, as a result, First ULB anticipates that there will not be any broker non-votes cast in connection with either proposal. Therefore, if your broker, bank or other nominee holds your shares of First ULB common stock in “street name,” your broker, bank or other nominee will vote your shares of First ULB common stock only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this Joint Proxy Statement/Offering Circular.

### **Revocability of Proxies and Changes to a First ULB Shareholder’s Vote**

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to First ULB’s corporate secretary, (3) voting again by telephone or the Internet, or (4) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying First ULB’s corporate secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

First ULB Corp.  
100 Hegenberger Road, Suite 220  
Oakland, California 94621  
Attention: Corporate Secretary

If your shares are held in “street name” by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.



## **Solicitation of Proxies**

First ULB is soliciting your proxy in conjunction with the Merger. First ULB will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, First ULB will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of First ULB common stock and secure their voting instructions. First ULB will reimburse the record holders for their reasonable expenses in taking those actions. If necessary, First ULB may use several of its regular employees, who will not be specially compensated, to solicit proxies from the First ULB shareholders, either personally or by telephone, facsimile, letter or other electronic means.

## **Attending the Meeting**

All holders of First ULB common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. First ULB reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

## **Assistance**

If you have any questions concerning the Merger or this Joint Proxy Statement/Offering Circular, would like additional copies of this proxy statement/offering circular or need help voting your shares of First ULB common stock, please contact Jeanette Reynolds, Chief Financial Officer and Corporate Secretary of First ULB, 100 Hegenberger Road, Suite 220, Oakland, California 94621, (510) 567-6906.

## **JOINT PROPOSAL 1—THE MERGER**

*This section describes certain aspects of the proposed Merger of First ULB with and into BayCom Corp. Because this is a summary, it does not contain all the information that may be important to you. You should read this entire Joint Proxy Statement/Offering Circular, including the appendices. A copy of the Agreement and Plan of Reorganization and Merger dated December 14, 2016, which we refer to as the Merger Agreement in this Joint Proxy Statement/Offering Circular, is attached as Appendix A to this Joint Proxy Statement/Offering Circular and is incorporated by reference herein. The following discussion, and the discussion under the subsection entitled “The Merger Agreement,” describes important aspects of the Merger and the material terms of the Merger Agreement. The description of the material terms of the Merger Agreement is qualified by reference to Appendix A. Please note that the representations and warranties in the Merger Agreement were made for purposes of allocating contractual risk between parties and not as a means of establishing facts. The Merger Agreement may also have different standards of materiality than standards under applicable securities laws. The representations and warranties in the Merger Agreement are qualified by certain exceptions listed in confidential disclosure schedules that contain non-public information that is not material under applicable securities laws. Facts may have changed with regard to representations and warranties in the Merger Agreement since the date of the Merger Agreement and only the parties to the Merger Agreement have a right to enforce the Merger Agreement.*

## **Background of the Merger**

Over the last several years the Board of Directors of BC Bank has determined that strategic alliances through the acquisition of other financial institutions was important to the growth and financial prospects for BC Bank. Since its inception in 2004, BC Bank has completed merger transactions with Global Trust Bank, Mountain View, California; Community Bank of San Joaquin, Stockton, California and Valley Community Bank, Pleasanton, California. During these last few years Mr. George Guarini, President and CEO of BC Bank, has had contact with several financial institutions about a strategic alliance.

In August of 2016, FIG Partners, LLC (“FIG Partners”), First ULB’s financial advisor, discussed with First ULB the merits of a potential combination involving First ULB and prepared various analyses for the Board of Directors of First ULB to consider. Upon review and discussion with FIG, the Board of Directors of First ULB authorized FIG Partners to contact BC Bank regarding a potential transaction.

Gary Findley, owner of the law firm Gary Steven Findley & Associates (“GSF&A”), has served as outside counsel to BC Bank for several years. In addition, in 2014, Gary Findley joined the Board of Directors of First ULB. GSF&A had provided legal advice and services to First ULB and strategic counseling to Mr. Malcolm Hotchkiss, Chairman of the Board of First ULB and Director of UB Bank. At the time Mr. Findley joined the Board of Directors of First ULB, Mr. Hotchkiss, and the other Directors of First ULB were aware that GSF&A represented a number of financial institutions in California and the parties agreed that if First ULB engaged in conversations with a client of GSF&A, Mr. Findley would resign from the First ULB Board of Directors.

Mr. Guarini was also aware that Mr. Findley was a member of the Board of Directors of First ULB as well as a shareholder of First ULB. Mr. Findley acted in the best interests of First ULB at all times and while he encouraged Mr. Hotchkiss and Mr. Guarini to discuss a potential merger transaction, Mr. Findley did not participate in any meetings between the parties. Mr. Findley resigned from the Board of Directors of First ULB on October 10, 2016. GSF&A requested and received from both BC Bank and First ULB a waiver of conflict and written authorization for GSF&A to represent BC Bank in the transaction.

In light of BC Bank’s contact with various financial institutions and FIG Partner’s presentation to the Board of Directors of First ULB, Mr. Guarini and Mr. Hotchkiss met in September 2016 to discuss a strategic alliance between BC Bank and UB Bank. BC Bank was familiar with the operation of UB Bank since it is headquartered in Oakland, California. On September 7, 2016, Mr. Guarini and Mr. Hotchkiss executed a Confidentiality and Non-Disclosure Agreement on behalf of BC Bank and First ULB, respectively, and agreed to share financial and operating information regarding BC Bank and First ULB/UB Bank. On September 12, 2016, executive management representatives from BC Bank and First ULB met to discuss their respective operating strategies and potential synergies derived from a strategic combination.

On September 23, 2016, First ULB received an indication of interest from BC Bank contemplating a merger transaction whereby First ULB shareholders would receive \$27.00 per share of First ULB stock (25% cash/75% stock) based on the relative book values of the companies.

On September 26, 2016, the Board of Directors of First ULB held a special meeting which was attended by representatives of FIG Partners and Hogan Lovells US LLP (“Hogan Lovells”), First ULB’s legal counsel. During this meeting, the Board of Directors of First ULB reviewed strategic alternatives for First ULB and reviewed and discussed the potential merger partners. Mr. Findley was not present at this Board meeting. This review included examination of various factors relating to the feasibility of potential merger partners, including capacity to complete a transaction, effect on capital, liquidity of the common stock of the surviving institution, and potential cost savings and operating efficiency. The Board of

Directors of First ULB also considered BC Bank's indication of interest and discussed the merits and changes to various terms required in order to proceed.

In early October 2016, other members of executive management of BC Bank, including Mr. Guarini, again met with Mr. Hotchkiss to discuss a strategic alliance. Since UB Bank was a federal savings bank owned by First ULB, management of BC Bank needed to become familiar with UB Bank's banking model and consider how UB Bank would fit into BC Bank. Mr. Hotchkiss also wanted to get to know the executive management of BC Bank who would manage the combined entity. It was determined in those discussions that if a letter of intent could be signed, BC Bank would proceed with the creation of a bank holding company that could assume the trust preferred securities at First ULB, as well as the debt existing in First ULB at the time a merger was consummated.

On October 5, 2016, Mr. Hotchkiss and Mr. Guarini, along with other representatives from their respective organizations, met in Walnut Creek, California to discuss various changes First ULB would need to the indication of interest First ULB received on September 23, 2016. On October 7, 2016, First ULB received a revised indication of interest outlining a merger transaction at \$27.00 per share, based upon the respective projected book values of the companies and structured as 50% cash and 50% stock.

On October 7, 2016, the Board of Directors of BC Bank approved a letter of intent to be forwarded to First ULB regarding a cash and stock transaction subject to due diligence of the respective parties (the "Letter of Intent"). The Letter of Intent contemplated a merger transaction that valued stock of First ULB at \$27.00 per share and was structured using 50% cash and 50% stock. The \$27.00 per share value was based on the projected book values of the companies. Between October 7, 2016 and October 31, 2016, the parties had discussions regarding the Letter of Intent. During this time and on October 10, 2016, First ULB received an updated Letter of Intent (the "Updated Letter of Intent") that required First ULB to respond by October 31, 2016, allowing First ULB to discuss the updated Letter of Intent at its next board meeting.

On October 27, 2016 the Board of Directors of First ULB met with First ULB's executive management, Hogan Lovells and FIG Partners to review a high level executive summary of the proposed transaction set forth in the Updated Letter of Intent. At that meeting, the Board of Directors of First ULB authorized Mr. Hotchkiss to enter into the Updated Letter of Intent as presented and to begin the due diligence process. During this the Board meeting Mr. Hotchkiss reported to the First ULB Board that on October 10, 2016, Mr. Findley had resigned as a board member of First ULB.

On October 31, 2016, UB Bank signed the Updated Letter of Intent. The Updated Letter of Intent provided consideration of \$27.00 per share of First ULB common stock as of September 30, 2016 consisting \$13.50 in cash and \$13.50 in shares of BC Bank common stock. Based upon the number of shares of First ULB common stock outstanding as of the October 7, 2016, First ULB shareholders would receive an aggregate of \$19,034,163 in cash and 1,372,326 shares of BC Bank common stock.

While BC Bank and UB Bank had provided some preliminary due diligence information prior to the execution of the Updated Letter of Intent, immediately after the parties executed the Updated Letter of Intent, BC Bank and UB Bank commenced an extensive due diligence review of the other party, which included a thorough review of the loan portfolio of UB Bank. Due diligence conducted by the respective parties, included but was not limited to investments, loans and deposit accounts, as well as, additional consultations with various regulatory agencies as the approvability of the transaction.

During the due diligence period, BC Bank decided to proceed with the banking holding company reorganization under the name BayCom Corp, which would become the sole shareholder of BC Bank if approval was received by the BC Bank shareholders and regulatory agencies. On November 4, 2016 a meeting of the Board of Directors of BayCom Corp was also held to approve the bank holding company

reorganization with BC Bank and select the initial board of BayCom Corp. On November 18, 2016 BC Bank and BayCom Corp filed applications with the Federal Reserve Bank of San Francisco, and the California Department of Business Oversight related to the creation of a bank holding company and the bank holding company reorganization with BayCom Corp becoming the sole shareholder of BC Bank.

On November 5, 2016, GSF&A, in its capacity as BC Bank's legal counsel delivered an initial draft of the proposed Merger Agreement to First ULB and Richard Schaberg of Hogan Lovells. During the following weeks until December 14, 2016, the parties exchanged multiple drafts that reflected subsequent negotiations regarding the terms and conditions of the Merger Agreement and ancillary agreements. On November 2, 2016, BC Bank entered into a fairness opinion agreement with Vining Sparks with that firm providing an opinion with respect to the fairness of the proposed transaction with UB Bank to the shareholders of BC Bank who would ultimately become the shareholders of BayCom Corp.

On December 13, 2016, the Boards of Directors of BC Bank and BayCom Corp reviewed the Merger Agreement, as well as supporting documents and approved and authorized the execution and adoption of the transaction agreements. During such meeting, Gary Findley of GSF&A went over the proposed transaction with the Boards of Directors and addressed the Boards' questions and concerns regarding the proposed transaction. Also, during such meeting, Tom Mecredy of Vining Sparks rendered a verbal opinion as the fairness of the terms of the Merger Agreement to the shareholders of BC Bank (and ultimately BayCom Corp) from a financial point of view, which opinion was later confirmed in writing. The fairness opinion of Vining Sparks is attached as Appendix D hereto.

On December 14, 2016, the Boards of Directors of First ULB and UB Bank, together with First ULB's legal counsel and representatives of FIG Partners, met by teleconference to consider the Merger Agreement and the ancillary agreements. At this meeting, FIG reviewed the financial aspects of the proposed merger and rendered to the First ULB board of directors an opinion to the effect that, as of that date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by FIG as set forth in such opinion, the merger consideration in the proposed merger was fair, from a financial point of view, to the holders of First ULB common stock. Among other matters considered, the Boards of Directors of First ULB and UB Bank reviewed the specific terms of the Merger Agreement, the form and value of the consideration to be received by First ULB shareholders, the price and historical performance of BC Bank common stock, current market conditions including comparable bank merger and acquisition transactions, and the implications of the merger to First ULB's employees and customers. After due consideration of these and other matters, the Boards of Directors of First ULB and UB Bank approved entering into the Merger Agreement.

The final definitive Merger Agreement was executed on December 14, 2016 and a joint press release was issued following the market close on that day.

On December 28, 2016 BayCom Corp received the approval of the Federal Reserve Bank of San Francisco to become the bank holding company and sole shareholder of BC Bank. Shareholders of BC Bank had approved by written consent the reorganization of BC Bank and the exchange of their shares for shares of BayCom Corp common stock. On January 17, 2017, the bank holding company reorganization was completed and BayCom Corp became the sole shareholder of BC Bank.

### **First ULB's Reasons for the Merger**

In the course of its evaluation of the merger and the merger agreement, the First ULB Board of Directors held numerous meetings, consulted with its senior management as well as its legal counsel and financial advisor.

At the board meeting held on December 14, 2016, the First ULB Board of Directors determined that the terms of the Merger Agreement were in the best interests of First ULB and its shareholders. In the course of reaching the decision to approve the Merger Agreement, the First ULB Board of Directors evaluated the merger and the Merger Agreement in consultation with the management of First ULB and First ULB's financial advisor and legal counsel. In reaching its determination, the First ULB Board of Directors considered a number of factors. Such factors also constituted the reasons that the Board of Directors determined to approve the Merger Agreement and to recommend that First ULB shareholders vote in favor of the Merger Agreement. Such reasons included the following, which are not presented in order of priority:

- the terms of the Merger Agreement and the value, form and mix of consideration to be received by First ULB shareholders in the merger;
- the historical trading ranges for BC Bank common stock;
- the historic and prospective business of First ULB and UB Bank;
- the intent that the Merger qualifies as a "reorganization" for U.S. federal income tax purposes;
- the likely impact of the merger on the employees and customers of First ULB and UB Bank;
- the future employment opportunities for the existing employees of First ULB and UB Bank;
- the addition of one First ULB executive (who is also a First ULB director) and one First ULB director to the Board of BayCom Corp;
- the minimal overlap in market footprint given that UB Bank's locations are primarily in different cities and towns than BC Bank currently operates;
- the strong capital position of the combined company and the larger scale of the combined company;
- information concerning BC Bank's financial condition and results of operations as well as the likelihood that BC Bank would be able to obtain regulatory approval for the merger;
- the fairness opinion, dated December 14, 2016, of FIG Partners to the First ULB Board of Directors as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of First ULB common stock of the merger consideration in the proposed merger, as more fully described below under "Opinion of First ULB's Financial Advisor";
- the expectation that First ULB shareholders would have the opportunity to continue to participate in the growth of the combined company;
- the provisions in the Merger Agreement that provide for the ability of the First ULB Board of Directors to respond to an unsolicited acquisition proposal that the First ULB Board of Directors determines in good faith is a superior proposal as defined in the merger agreement; and
- the provisions of the Merger Agreement that provide for the ability of the First ULB Board of Directors to terminate the Merger Agreement, subject to certain conditions including the payment of a break-up fee, if First ULB has entered into a letter of intent or other agreement with respect to a superior proposal.

The First ULB Board of Directors also considered a number of uncertainties and risks in its deliberations concerning the transactions contemplated by the Merger Agreement, including the following:

- that the exchange ratio is fixed, which means that First ULB stockholders could be adversely affected by a decrease in the trading price of BayCom Corp common stock following the signing of the Merger Agreement;
- the possibility of costs and delays resulting from seeking the regulatory approvals necessary to complete the transactions contemplated by the Merger Agreement, the possibility that the merger may not be completed if such approvals are not obtained, and the potential negative impacts on First ULB, its business and the price of First ULB common stock if such approvals are not obtained;
- the possible disruption to First ULB and UB Bank businesses that may result from the announcement of the merger and the resulting distraction of management's attention from the day-to-day operations of First ULB and UB Bank businesses; and
- the restrictions contained in the Merger Agreement on the operation of First ULB and UB Bank businesses during the period between signing of the Merger Agreement and completion of the merger, as well as the other covenants and agreements of First ULB and UB Bank contained in the Merger Agreement.

The foregoing discussion of the reasons that led the First ULB Board of Directors to approve the Merger Agreement and recommend that First ULB's shareholders vote in favor of the Merger Agreement is not intended to be exhaustive but is believed to include all of the material reasons for the Board of Directors' decision. In reaching its determination to approve and recommend the transaction, the First ULB Board of Directors based its recommendation on the totality of the information presented to it and did not assign any relative or specific weights to the reasons considered in reaching that determination. Individual directors may have given differing weights to different reasons. After deliberating with respect to the Merger, considering, among other things, the matters discussed above, the First ULB Board of Directors unanimously approved the Merger Agreement and the Merger as being in the best interests of First ULB and its shareholders.

### **BayCom Corp's and BC Bank's Reasons for the Merger**

After deliberation at its December 13, 2016 meeting, the Boards of Directors of BayCom Corp and BC Bank unanimously approved the plan of merger in the Merger Agreement. In unanimously approving the Merger Agreement, the Merger and other transactions contemplated in the Merger Agreement as being in the best interests of BayCom Corp, and BC Bank and the shareholders and recommending that BC Bank/BayCom Corp shareholders vote "FOR" the Merger Agreement, the BayCom Corp and BC Bank Boards of Directors consulted with BC Bank management, as well as its independent financial and legal advisors, and considered a number of factors, including the following material factors:

- its belief that the Merger will result in a strong commercial banking franchise with a geographically diversified branch network, strong revenue stream, a strong core deposit base, and a balanced loan portfolio that has the potential to deliver a higher value to BC Bank's, and following the bank holding company reorganization, BayCom Corp's shareholders;
- the larger asset base will allow the combined bank to pursue more business opportunities that come with greater scale than are available to smaller institutions, favorably impacting the value of the combined bank;

- the Merger is consistent with BC Bank’s strategic plan, including achieving strong earnings growth and improving customer attraction, retention and service in areas within or adjacent to BC Bank’s geographic presence;
- the complementary aspects of the UB Bank and BC Bank businesses, including customer focus, and the benefits of combining the core deposit generation and commercial lending activities of UB Bank and BC Bank;
- the potential expense-saving and revenue-enhancing opportunities in connection with the Merger, the related potential impact on the combined company’s earnings and the future performance of the combined company generally;
- the regulatory and other approvals required in connection with the Merger;
- the consistency of the Merger with BC Bank’s business strategies, including achieving strong earnings growth, improving customer attraction and retention and focusing on expense control, and the conclusion of the BC Bank Board of Directors after its analysis that BC Bank and UB Bank are a complementary fit due to the balance sheet make-up, and products offered and the expectation that the Merger would provide economies of scale, expanded product offerings, expanded opportunities for cross-selling, cost savings opportunities, and enhanced opportunities for growth;
- the benefits of the proposed Merger as compared with maintaining BC Bank as a stand-alone entity, including the observation of the BC Bank Board of Directors that the combined bank should be able to compete more effectively as a result of its broader base of branches, economies of scale and higher lending limits and its conclusion that the combined bank would likely have superior future earnings and prospects compared to BC Bank’s earnings and prospects as an independent bank;
- their understanding of UB Bank’s business, operations, regulatory and financial condition, asset quality, earnings, capital and prospects taking into account presentations by senior management of the results of management’s due diligence review and information from Vining Sparks, BC Bank’s independent financial advisor;
- the opinion delivered to BC Bank by Vining Sparks on December 14, 2016, to the effect that and based upon and subject to the assumptions, procedures, considerations, qualifications and limitations set forth in the opinion, the consideration to be paid by BC Bank/BayCom Corp under the Merger Agreement was fair, from a financial point of view, to the shareholders of BC Bank/BayCom Corp;
- the respective presentations by BC Bank’s management and its financial advisors concerning the operations, financial condition and prospects of UB Bank and the expected financial impact of the Merger on the combined company, including proforma assets, earnings and deposits;
- the addition of one First ULB executive and one First ULB director to the Board of BayCom Corp, which enhances the likelihood that the strategic benefits that BC Bank expects to achieve as a result of the Merger will be realized;
- their understanding of the current and prospective environment in which BC Bank and UB Bank operate, including national and local economic conditions, the interest rate environment, increasing operating costs resulting from regulatory initiatives and compliance mandates, which the Board and Management believe favor efficiencies from a greater scale of operations, the competitive

environment for financial institutions generally, and the likely effect of these factors on BC Bank both with and without the proposed transaction; and

- the belief that the Merger will enhance the ability of the combined company to access the capital markets.

The BC Bank and BayCom Corp Boards of Directors also considered potential risks and potentially negative factors concerning the Merger in connection with its deliberations on the proposed transaction, including the following material factors:

- the potential risk that another economic downturn impacting California, the regions in which BC Bank and UB Bank operate or the United States could negatively impact the UB Bank loan portfolio, and thereby affect the value of the BC Bank/BayCom Corp common stock;
- the fact that, because the merger consideration consists of a fixed exchange ratio of shares of BC Bank/BayCom Corp common stock and cash, BC Bank/BayCom Corp shareholders could be adversely affected if either the results of operations of BC Bank exceed expectations, or the results of operations of UB Bank do not meet expectations, during the pendency of the Merger;
- the fact that some directors and executive officers of UB Bank and BC Bank have other interests in the Merger that are different from, or in addition to, their interests as BC Bank/BayCom Corp shareholders;
- the substantial transaction costs that will be incurred in the Merger whether or not it is completed;
- the fact that, pursuant to the Merger Agreement, BC Bank must generally conduct its business in the ordinary course and is subject to certain restrictions on the conduct of its business prior the closing of the Merger or termination of the Merger Agreement, which may delay or prevent BC Bank from pursuing business opportunities that may arise or preclude actions that would be advisable if BC Bank were to remain an independent company;
- the potential risk of diverting management attention and resources from the operation of BC Bank's business and towards the completion of the Merger;
- the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating UB Bank's business, operations and workforce with those of BC Bank;
- the fact that a significant portion of First ULB's outstanding common stock is held by a limited number of shareholders;
- the risk of potential employee attrition and/or adverse effects on business and customer relationships as a result of the pending Merger, and
- the fact that completion of the Merger is subject to regulatory approvals from multiple regulatory agencies and there can be no assurance that these approvals will be received on a timely basis or prior to the termination date in the Merger Agreement, after which time either BC Bank/BayCom Corp or UB Bank/First ULB can terminate the Merger Agreement.

The foregoing discussion of factors considered by the BC Bank and BayCom Corp Boards of Directors is not intended to be exhaustive, but is believed to include all material factors considered by the BC Bank and BayCom Corp Boards of Directors. In view of the wide variety of the factors considered in



connection with its evaluation of the Merger and the complexity of these matters, the BC Bank and BayCom Corp Boards of Directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, the individual members of the BC Bank and BayCom Corp Boards of Directors may have given different weight to different factors. The BC Bank and BayCom Corp Boards of Directors conducted an overall analysis of the factors described above including thorough discussions with, and questioning of, BC Bank management and BC Bank's legal and financial advisors, and considered the factors overall to be favorable to, and supportive of, its determination.

## **Structure of the Merger**

The Merger Agreement provides that First ULB will merge with and into BayCom Corp and immediately thereafter UB Bank will merge with and into BC Bank. As a result of the Merger, BayCom Corp will be the surviving corporation and thereafter, BC Bank will be the surviving bank. The Articles of Incorporation and Bylaws of BayCom Corp will be the Articles of Incorporation and Bylaws of the surviving corporation. See "Comparison of Shareholders' Rights" for additional information.

Each share of First ULB common stock issued and outstanding at the effective time of the Merger of First ULB with BayCom Corp (other than dissenting shares) will automatically be converted into the right to receive the merger consideration described below.

Each share of BayCom Corp common stock issued and outstanding at the effective time of the Merger will remain issued and outstanding after the Merger.

## **The Merger Consideration**

### ***Effect of the Merger on First ULB Common Stock.***

At the effective time of the Merger, as a result of the Merger and without any action on the part of any First ULB shareholder, each share of First ULB common stock issued and outstanding immediately prior to the effective time (other than shares held by First ULB shareholders that perfect their dissenters' rights under California law, which are referred to herein as "Dissenting Shares") will be converted into the right to receive, the following consideration (together the "Per Share Merger Consideration"):

- (a) \$13.50 in cash (the "Per Share Cash Consideration") and;
- (b) 0.9733 shares of BayCom Corp common stock (the "Per Share Stock Consideration").

If the Merger had closed on March 1, 2017, the Per Share Cash Consideration would be \$13.50 per share, and based on the last sales price of the common stock of BayCom Corp on March 1, 2017, the Per Share Stock Consideration would be valued at \$16.25 per share, for an aggregate Per Share Merger Consideration valued at \$29.75 and an aggregate merger consideration of approximately \$42 million based on 1,409,938 shares of First ULB currently outstanding (the "Merger Consideration").

No fractional shares of BayCom Corp will be issued in the Merger, but rather cash in lieu of such fractions will be paid.

### ***Effect on BayCom Corp Common Stock***

The shares of BayCom Corp common stock issued and outstanding immediately prior to the effective time will remain issued and outstanding and will not be converted or otherwise affected by the Merger.

### ***Effect on BC Bank Common Stock***

The shares of BC Bank common stock issued and outstanding immediately prior to the Effective Time will remain issued and outstanding and will not be converted or otherwise affected by the Merger.

### ***Dissenting Shares***

Holders of shares of First ULB common stock who do not vote in favor of the Merger and the Merger Agreement and who follow the procedures provided in Chapter 13 of the CGCL will be entitled to exercise dissenters' rights to receive cash equal to the fair market value of their shares of First ULB common stock in lieu of the merger consideration.

In addition, holders of shares of BayCom Corp common stock who do not vote in favor of the Merger and the Merger Agreement and who follow the statutory procedures of the CGCL will be entitled to exercise dissenters' rights to receive cash equal to the fair market value of their shares of BayCom Corp common stock.

The respective fair market value of the dissenting shares of each of BayCom Corp and First ULB shall be determined as of December 14, 2016, the date before the first public announcement of the terms of the Merger was made. The dissenters' rights available to First ULB and BayCom Corp shareholders are described more fully in this Joint Proxy Statement/Offering Circular under “—Dissenters' Rights.”

### **Surrender of First ULB Stock Certificates After the Merger**

As soon as practicable after the effective time of the Merger, BayCom Corp shall cause the exchange agent to mail to each First ULB shareholder of record immediately prior to the effective time of the Merger, a letter of transmittal in customary form with respect to the delivery by the First ULB shareholder to the exchange agent of the First ULB share certificates in exchange for the Merger Consideration. Upon surrender of the First ULB share certificates and a properly completed and executed letter of transmittal, the First ULB shareholders shall be entitled to promptly receive in exchange for each share of First ULB common stock represented by such surrendered certificates, the Per Share Merger Consideration.

No dividends or other distributions that are declared on BayCom Corp common stock will be paid to persons otherwise entitled to receive the same until the First ULB certificates for their shares have been surrendered in exchange for the Merger Consideration, but upon such surrender, such dividends or other distributions, from and after the effective time of the Merger, will be paid to such persons in accordance with the terms of BayCom Corp common stock. No interest will be paid to the First ULB shareholders on the cash or the BayCom Corp common stock into which their shares of First ULB common stock will be exchanged.

### **Material Federal Income Tax Consequences**

The following discussion summarizes certain United States federal income tax consequences of the Merger pursuant to the Merger Agreement and the issuance of the Per Share Merger Consideration to the holders of shares of First ULB common stock in the Merger. This summary is for general information purposes only and does not address all of the United States federal income tax considerations relating to

the Merger or to the ownership of BayCom Corp common stock that are or may be relevant to current First ULB shareholders, including considerations that are or may be relevant to current First ULB shareholders in light of their individual circumstances or to current First ULB shareholders that are subject to special rules, such as First ULB shareholders who exercise dissenters' rights with respect to their First ULB common stock, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, individual retirement accounts and tax-deferred accounts, insurance companies, dealers in securities, traders who mark to market, non-U.S. shareholders, shareholders who hold First ULB common stock or BayCom Corp common stock as part of a straddle, hedge, constructive sale, conversion transaction or other risk reduction transaction or synthetic security, shareholders whose "functional currency" is not the U.S. dollar, shareholders who acquired their First ULB common stock or BayCom Corp common stock pursuant to the exercise of employee stock options or otherwise as compensation, shareholders who are subject to the federal alternative minimum tax, shareholders not holding their First ULB common stock or BayCom Corp common stock as a capital asset, governments or agencies or instrumentalities thereof, and S corporations, partnerships or other pass-through entities, including entities and arrangements classified as partnerships for U.S. federal income tax purposes, and beneficial owners of, or investors in, such entities. This discussion also does not address other U.S. federal taxes (such as alternative minimum taxes or gift or estate taxes), any non-income tax consequences or any state, local, or non-U.S. tax consequences, certain tax reporting requirements that may be applicable to a First ULB shareholder owning 5% or more of First ULB common stock, or the Medicare tax on net investment income.

No rulings from the Internal Revenue Service (the "IRS") or opinions of counsel have been or will be requested with respect to any of the matters discussed herein. The discussion below is based upon the provisions of the Internal Revenue Code (the "Code"), the Treasury Regulations promulgated thereunder, and judicial decisions and administrative rulings currently in effect, all of which are subject to change, possibly on a retroactive basis, and possibly before the date of the Merger.

**EACH FIRST ULB SHAREHOLDER SHOULD CONSULT HIS, HER OR ITS TAX ADVISOR AS TO THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH PERSON OF THE MERGER, AND OF SUCH PERSON'S RECEIPT OF THE PER SHARE MERGER CONSIDERATION AND AS TO ANY STATE, LOCAL, NON-U.S. AND NON-INCOME TAX CONSIDERATIONS RELEVANT TO SUCH PERSON AS A RESULT OF THE MERGER AND SUCH PERSON'S RECEIPT OF THE PER SHARE MERGER CONSIDERATION.**

For purposes of this section, the term "U.S. holder" means a beneficial owner of First ULB common stock that for U.S. federal income tax purposes is (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state or the District of Columbia, (iii) an estate that is subject to U.S. federal income tax on its income regardless of its source, or (iv) a trust, the substantial decisions of which are controlled by one or more U.S. persons and which is subject to the primary supervision of a U.S. court, or that has validly elected under applicable Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

*Characterization of the Merger for Federal Income Tax Purposes.* BayCom Corp and First ULB intend that the Merger qualify as a "reorganization" within the meaning of Section 368(a) of the Code. Each recipient of this Joint Proxy Statement/Offering Circular should consult his, her or its tax advisor as to the United States federal income tax consequences to BayCom Corp, First ULB and to such recipient if the Merger does not qualify as a "reorganization." For purposes of the discussion that follows, it is assumed that the Merger will qualify as a "reorganization."

*Tax Consequences of the Merger for BayCom Corp and First ULB.* No gain or loss will be recognized by BayCom Corp or First ULB as a result of the Merger.

*Tax Consequences of the Merger for U.S. Holders of First ULB Common Stock.* A U.S. holder that exchanges shares of First ULB common stock for the Per Share Merger Consideration, i.e., a combination of BayCom Corp common stock and cash, will recognize gain (but not loss), determined separately for each identifiable block of shares of First ULB common stock (generally, First ULB common stock acquired at the same cost in a single transaction) that is exchanged in the Merger, equal to the lesser of (i) the excess, if any, of the amount of cash plus the fair market value of any BayCom Corp common stock received in the Merger, over such U.S. holder's adjusted tax basis in the shares of First ULB common stock surrendered by such U.S. holder in the Merger and (ii) the amount of cash received by such U.S. holder in the Merger.

A U.S. holder's aggregate tax basis in the BayCom Corp common stock received by such U.S. holder in the Merger (including fractional shares of BayCom Corp common stock deemed received and redeemed as described below) will equal such U.S. holder's aggregate tax basis in the First ULB common stock surrendered in the Merger, increased by the amount of taxable gain or dividend income (discussed below), if any, recognized by such U.S. holder in the Merger, and decreased by the amount of cash, if any, received by such U.S. holder in the Merger (other than cash received instead of fractional share interests in BayCom Corp common stock). The holding period for the shares of BayCom Corp common stock received in the Merger (including fractional shares of BayCom Corp common stock deemed received and redeemed as described below) will include the holding period for the shares of First ULB common stock exchanged therefor.

A U.S. holder of First ULB common stock who receives cash instead of a fractional share of BayCom Corp common stock will be treated as having received the fractional share and then as having exchanged the fractional share for cash in a redemption by BayCom Corp. As a result, such U.S. holder of First ULB common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above.

Any gain recognized will be capital gain unless the U.S. holder's receipt of the cash has the effect of the distribution of a dividend to the U.S. holder under the tests set forth in Section 302 of the Code. In that case, such gain will be treated as a dividend to the extent of such U.S. holder's ratable share of the undistributed earnings and profits as determined for U.S. federal income tax purposes. U.S. holders should consult their tax advisors as to this possibility.

Any capital gain or loss will constitute long-term capital gain or loss if the U.S. holder held the shares of First ULB common stock for more than one year at the effective time of the Merger. Long-term capital gains of noncorporate U.S. holders are generally subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders that acquired different blocks of First ULB common stock at different times or at different prices should consult their own tax advisors about the tax consequences to them in light of their particular circumstances.

*Information Reporting and Backup Withholding.* Cash payments received in the Merger by a U.S. holder may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28% of the cash payable to the U.S. holder, unless the U.S. holder provides proof of an applicable exemption, furnishes its taxpayer identification number (in the case of individuals, their social security number) and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional

tax and will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

THE FOREGOING IS NOT A SUBSTITUTE FOR AN INDIVIDUAL ANALYSIS OF THE TAX CONSEQUENCES OF THE MERGER TO FIRST ULB SHAREHOLDERS. FIRST ULB SHAREHOLDERS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE MERGER IN THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. FEDERAL (INCLUDING THE ALTERNATIVE MINIMUM TAX), STATE, LOCAL OR FOREIGN AND OTHER TAX LAWS AND OF CHANGES IN THOSE LAWS.

### **Regulatory Approvals**

Consummation of the transactions contemplated by the Merger Agreement requires, among other things, the issuance of a permit by the DBO, as well as the approval of the FRB and the DBO, as the primary bank regulators for BC Bank. Applications for the necessary approvals, permits and waivers were filed with the DBO and FRB on January 20, 2017.

In reviewing the applications, those regulatory agencies take into consideration, among other things, competition, the financial and managerial resources and future prospects of the companies, and the convenience and needs of the communities to be served. Federal law prohibits these regulatory agencies from approving a merger if the merger would result in undue concentration of resources or decreased or unfair competition, unless the anti-competitive effects of the merger are clearly outweighed by the benefits to the public. The approval of the transactions contemplated by the Merger Agreement by the applicable regulatory agencies will reflect only their respective view that the transactions do not contravene applicable competitive standards imposed by law and is consistent with regulatory policies relating to safety and soundness. These regulatory agencies express no opinion as to the financial consideration paid to the First ULB shareholders, nor do these regulatory agencies express any opinion as to the adequacy of the terms of the Merger Agreement and the Merger.

The federal banking agencies have the authority to deny the application for approval of the transactions contemplated by the Merger Agreement if they conclude that the combined organization would have an inadequate capital structure, taking into account, among other factors, the level of problem assets, the nature of the business and operations and plans for expansion. Furthermore, these agencies must also evaluate the records of BC Bank and UB Bank in meeting the credit needs of their respective communities, including low- and moderate-income neighborhoods, consistent with safe and sound operation under the federal Community Reinvestment Act of 1977 ("CRA"). BC Bank and UB Bank both received a "satisfactory" performance rating in their most recent CRA evaluations.

Similarly, the DBO has the authority to deny the application for approval of a merger if it finds any of the following: (i) the merger will result in a monopoly or is in furtherance of a conspiracy to monopolize the banking business in California; (ii) the merger will substantially lessen competition or otherwise restrain trade or the anticompetitive effects of the merger outweigh the benefits of the merger in meeting the convenience and needs of the communities to be served by the surviving bank; (iii) the shareholders' equity of the surviving bank will not be adequate or the financial condition of the surviving bank will be unsatisfactory; (iv) the directors and management of the surviving bank will be unsatisfactory; (v) the surviving bank cannot provide the DBO with a reasonable promise of successful operation or that the surviving bank will be operated in a safe and sound manner in compliance with all applicable laws; or (vi) the merger is not fair, just or equitable to the respective parties.

Any transaction approved by the FRB under the Bank Merger Act may not be completed until thirty (30) days after the FRB's approval, during which time the U.S. Department of Justice may challenge such transaction on antitrust grounds. With the approval of the FRB and the U.S. Department of Justice, the waiting period may be reduced to fifteen (15) days. While BayCom Corp and First ULB do not know of any reason that the Department of Justice would challenge regulatory approval by the FRB and believe that the likelihood of such action is remote, there can be no assurance that the U.S. Department of Justice will not initiate such a proceeding, or if such a proceeding is initiated, the result of any such challenge.

BayCom Corp has also applied for a permit under the California Corporate Securities Law to issue the shares of common stock to be issued as merger consideration in the Merger and a determination, after a noticed hearing, of the fairness of the terms and conditions of the issuance of those shares. This fairness determination, if issued, will provide BayCom Corp with the basis for an exemption from the registration requirements of the Securities Act for the issuance of its shares in the Merger.

As of the date of this Joint Proxy Statement/Offering Circular, all required regulatory approvals have been obtained. Neither BayCom Corp nor First ULB is aware of any other regulatory approvals that would be required for completion of the Merger except as described above. Should any other approvals be required, it is presently contemplated that such approvals would be sought. There can be no assurance, however, that any other approvals, if required, will be obtained.

### **Interests in the Merger of Directors and Executive Officers of First ULB and UB Bank**

In considering the recommendation of First ULB's Board of Directors that you vote to approve the Merger Agreement, you should be aware that certain of First ULB's and UB Bank's senior officers and directors have financial interests in the Merger that are different from, or in addition to, those of First ULB shareholders generally. The members of First ULB's Board of Directors were aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending to the shareholders that the Merger Agreement be approved.

#### ***Share Ownership***

The directors of First ULB and UB Bank beneficially owned as of March 1, 2017, a total of 23,038 shares of First ULB common stock, representing approximately 1.6% of the outstanding shares of First ULB common stock. All directors of First ULB and UB Bank, other than Nick Dyer, President and CEO of UB Bank, have entered into non-competition and voting agreements pursuant to which, among other things, the directors have agreed to vote their shares in favor of the Merger. Nick Dyer entered into a voting agreement pursuant to which, among other things, he agreed to vote his shares in favor of the Merger. All directors and executive officers of First ULB and UB Bank, whether or not they vote their shares in favor of the Merger, will receive the same Merger Consideration as the other First ULB shareholders.

#### ***Continuing Directors***

Upon completion of the Merger, two current directors of First ULB, Malcolm Hotchkiss and Rocco Davis will be appointed to the BayCom Corp Board of Directors. For additional information with respect to these two continuing directors see "Description of BayCom Corp—Board of Directors and Executive Officers."

#### ***Executive Transition Agreements***

First ULB maintains an executive transition agreement with Malcolm Hotchkiss which provides that if the Merger results in a termination of the employment of Mr. Hotchkiss without "cause" or a

voluntary termination for “good reason” (each as defined in such agreement) within 24 months following a change of control (including the Merger), Mr. Hotchkiss will receive a lump sum severance payment equal to three times his annual base salary in effect as of the date of termination and the total cost of COBRA coverage for 18 months. If such severance benefits were triggered as of March 1, 2017 (the latest practicable date prior to the filing of this Joint Proxy Statement/Offering Circular), the total amount of such payments to Mr. Hotchkiss would be approximately \$380,772.

In addition, UB Bank has also previously entered into similar executive transition agreements with five additional executives and employees. Under these agreements, if the Merger results in a termination of the individual’s employment without “cause” or a voluntary termination for “good reason” (each as defined in each such individual’s agreement) within one year following a change of control (including the Merger), the individual will receive a lump sum severance payment equal to one times the individual’s annual base salary in effect as of the date of termination and the total cost of COBRA coverage for six months. If such severance benefits were triggered as of March 1, 2017 (the latest practicable date prior to the filing of this Joint Proxy Statement/Offering Circular), the total aggregate amount of such payments to these individuals (other than Mr. Hotchkiss discussed above) would be approximately \$1,016,089.

### ***Performance Driven Plan***

UB Bank maintains a performance driven plan under which annual deferred cash awards are credited to the accounts of certain directors and executives based upon various performance metrics established under the performance driven plan. These cash awards generally vest twenty percent per year over a five-year period following the year of grant with full vesting upon the attainment of age 65. However, the performance driven plan provides that such unvested amounts will automatically vest upon a separation from service prior to reaching retirement age if such separation of service occurs within 24 months following a change of control (including the Merger).

If accelerated vesting were triggered under the terms of the performance driven plan for all participants with unvested awards (5 non-employee directors and 4 executives) as of March 1, 2017 (the latest practicable date prior to the filing of this Joint Proxy Statement/Offering Circular), the total aggregate amount subject to such accelerated vesting would be approximately \$118,800 for non-employee directors and \$337,856 for executives.

### ***Indemnification and Insurance***

Pursuant to the Merger Agreement, First ULB is required to maintain in effect the current policies of directors’ and officers’ liability insurance maintained by it for a period of six (6) years from the effective date of the Merger with respect to possible claims against directors and/or executive officers of First ULB and UB Bank arising from facts or events which occurred prior to the time of the Merger. BC Bank has also promised to indemnify each present and former director and officer of First ULB and UB Bank to the fullest extent permitted under applicable law.

### **Interests in the Merger of Certain Executive Officers of BayCom Corp**

Certain executive officers of BC Bank have financial interests in the Merger as individuals that are in addition to, or different from, their interests as shareholders generally. You should consider these interests in deciding how to vote. Specifically, each of George Guarini, the President and Chief Executive Officer of BayCom Corp and BC Bank, Keary L. Colwell, the Executive Vice President and Chief Financial Officer of BayCom Corp and BC Bank, Janet King, the Executive Vice President and Chief Operating Officer of BayCom Corp and BC Bank, Dave Funkhouser, the Executive Vice President and Chief Credit Officer of BC Bank, Charles Yun, the Executive Vice President and Chief Lending Officer of BC Bank,

and Izabella Zhu, the Executive Vice President and Chief Risk Officer of BC Bank will each retain their positions in the surviving corporation and surviving bank.

### **Dissenters' Rights**

Under California law, both First ULB shareholders and BayCom Corp shareholders who do not vote in favor of the Merger, who properly make a demand for appraisal of their shares of First ULB common stock and otherwise comply with provisions of the California Corporations Code with respect to dissenters' rights, will be entitled to exercise dissenters' rights and to obtain payment in cash for the fair market value of their shares of First ULB common stock or BayCom Corp common stock, as applicable.

Under California law, each First ULB and BayCom Corp shareholder has the right to dissent from the Merger and to have the fair market value of such shareholder's shares of First ULB common stock or BayCom Corp common stock, as applicable, as of December 14, 2016, which was the day before the first announcement of the terms of the Merger, be paid in cash to such shareholder if:

- such shareholder's shares were outstanding on the record date, as applicable, for the determination of First ULB and BayCom Corp shareholders entitled to vote on the Merger;
- the Merger is completed; and
- such shareholder complies with Sections 1300 through 1312 of the California Corporations Code, or the "Corporations Code."

Relevant portions of the California Corporations Code, which include the procedures required to exercise dissenters' rights, are attached to this Joint Proxy Statement/Offering Circular as Appendix B. The description of dissenters' rights contained in this Joint Proxy Statement/Offering Circular is qualified in its entirety by reference to Chapter 13, commencing with Section 1300, of the Corporations Code.

A beneficial owner of shares, whose shares of common stock of First ULB or BayCom Corp are held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder to follow the requirements of Chapter 13 of the Corporations Code in a timely manner if such person elects to exercise dissenters' rights with respect to such interests.

For a First ULB or BayCom Corp shareholder to exercise dissenters' rights, he or she must:

- make a timely written demand upon First ULB or BayCom Corp, as applicable, for the purchase of his or her shares and the payment to such shareholder in cash of their fair market value as of December 14, 2016, which demand includes:
  - the number and class of the shares held of record by such shareholder that he or she demands that First ULB or BayCom Corp purchase, and
  - a statement of what such shareholder claims to be the fair market value of such shares as of December 14, 2016;
- have his or her demand received by First ULB or BayCom Corp, as applicable, within 30 days after the date on which the notice of the approval of the principal terms of the Merger Agreement and the principal terms of the Merger by First ULB or BayCom Corp shareholders, as applicable, was mailed to such shareholder;
- not vote the shares such shareholder is demanding be purchased in favor of the principal terms of the Merger Agreement and Merger;



- submit certificates representing the shares such shareholder is demanding be purchased for endorsement in accordance with Section 1302 of the Corporations Code; and
- comply with such other procedures as are required by the Corporations Code.

Failure to follow the procedures set forth in the Corporations Code will result in the failure to validly exercise dissenters' rights. Further, if a shareholder returns his or her proxy without instructions, which will result in a vote for the approval of the principal terms of the Merger, he or she will not be entitled to dissenters' rights.

The statement of fair market value as of December 14, 2016 by a dissenting First ULB or BayCom Corp shareholder, as applicable, constitutes an offer to sell his or her shares at that price. A demand may not be withdrawn without the consent of First ULB or BayCom Corp, as applicable. A proxy or vote against the approval of the principal terms of the Merger or principal terms of the Merger Agreement does not in and of itself constitute a proper demand.

Each of First ULB and BayCom Corp will mail a notice of the approval of the principal terms of the Merger and principal terms of the Merger Agreement to their respective shareholders who have shares representing common stock of First ULB or BayCom Corp, as applicable, that were not voted in favor of the principal terms of the Merger Agreement and Merger. First ULB and BayCom Corp will mail such notice within 10 days after the principal terms of the Merger Agreement and Merger are approved by their respective shareholders. Such notice will be accompanied by:

- a copy of Sections 1300, 1301, 1302, 1303 and 1304 of Chapter 13 of the Corporations Code;
- a statement of the price determined by First ULB or BayCom Corp, as applicable to represent the fair market value as of December 14, 2016 of their respective dissenting shares; and
- a brief description of the procedure to be followed if such shareholder desires to perfect his or her dissenters' rights.

The statement of price constitutes an offer by First ULB or BayCom Corp, as applicable, to purchase at the price stated for such dissenting shares.

A shareholder who wishes to exercise dissenters' rights must submit to First ULB or BayCom Corp, as applicable, at its principal office or at the office of its transfer agent the certificates representing any shares that he or she is demanding that First ULB or BayCom Corp, as applicable, purchase for endorsement as dissenting shares. Such certificates must be submitted within 30 days after the date on which notice of approval of the Merger by shareholders was mailed to him or her. If a shareholder transfers his or her shares of common stock of First ULB or BayCom Corp, as applicable, prior to the submission of the certificates representing such stock for the required endorsement, such shares will lose their status as dissenting shares.

If First ULB or BayCom Corp, as applicable, agrees that a shareholder's shares qualify as dissenting shares, and First ULB or BayCom Corp, as applicable, and such shareholder agrees upon the fair market value of such shares, such shareholder will be entitled to the agreed upon price, plus any interest that may accrue at the legal rate on judgments from the date of such agreement.

If First ULB or BayCom Corp, as applicable, denies that shares submitted to it as dissenting shares are dissenting shares, or if First ULB or BayCom Corp, as applicable, and a shareholder fail to agree on the fair market value of such shareholder's dissenting shares, then either such shareholder or First ULB or BayCom Corp, as applicable, may file a complaint in the superior court of the proper county in California

requesting that the court determine such issue. Such complaint must be filed within six months after the date on which notice of the approval of the principal terms of the Merger Agreement and Merger is mailed to such dissenting shareholder. If neither First ULB or BayCom Corp, as applicable, nor the shareholder files a complaint or intervenes in a pending action as provided in Section 1304 of the Corporations Code within six months after the date on which notice of the approval of the principal terms of the Merger Agreement and Merger was mailed, the shares will lose their status as dissenting shares. On trial of the action, the court will, if the status of the shares as dissenting shares is an issue, first determine if the shares are dissenting shares, and if so determined, the court will either determine the fair market value or appoint one or more impartial appraisers to do so.

Failure to take any step required under Chapter 13 of the Corporations Code will result in a loss or waiver of dissenters' rights.

IN VIEW OF THE COMPLEXITY OF THE PROVISIONS OF CALIFORNIA LAW RELATING TO DISSENTERS' RIGHTS, ALL SHAREHOLDERS THAT WISH TO EXERCISE DISSENTERS' RIGHTS OR THAT WISH TO PRESERVE THEIR RIGHT TO DO SO SHOULD CAREFULLY REVIEW CHAPTER 13 OF THE CORPORATIONS CODE. THOSE WISHING TO DISSENT SHOULD CONSULT WITH THEIR OWN LEGAL COUNSEL IN CONNECTION WITH COMPLIANCE UNDER CHAPTER 13 OF THE CORPORATIONS CODE.

## **Opinions of Financial Advisors**

### *Opinion of First ULB's Financial Advisor*

FIG Partners LLC ("FIG") has delivered to the First ULB Board of Directors its opinion that, based upon and subject to the various considerations set forth in its written opinion dated as of December 14, 2016, the Per Share Merger Consideration to be paid by BC Bank and BayCom Corp is fair to the shareholders of First ULB from a financial perspective as of such date. In requesting FIG's investment banking advice and in rendering its opinion as to the fairness of the Per Share Merger Consideration to be received, no limitations were imposed by First ULB upon FIG with respect to the investigations made or procedures followed by it in rendering its opinion. **The full text of the opinion of FIG, dated December 14, 2016, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached hereto as Appendix C. First ULB shareholders should read this opinion in its entirety.**

FIG is a nationally recognized investment banking firm and, as part of its investment banking business, is continually engaged in the valuation of financial institutions in connection with mergers and acquisitions, private placements and valuations for other corporate purposes. As a specialist in securities of financial institutions, FIG has experience in, and knowledge of, banks, thrifts and bank and thrift holding companies. First ULB's Board of Directors selected FIG to act as its financial advisor in connection with the merger on the basis of the firm's reputation and expertise in transactions such as the Merger.

**FIG's opinion is directed only to the fairness, from a financial point of view, of the Per Share Merger Consideration, and, as such, does not constitute a recommendation to any First ULB shareholder as to how the shareholder should vote at the First ULB shareholder meeting. The summary of the opinion of FIG set forth in this Joint Proxy Statement/Offering Circular is qualified in its entirety by reference to the full text of the opinion.**

The following is a summary of the analyses performed by FIG in connection with its opinion as to the fairness of the Per Share Merger Consideration. Certain analyses were demonstrated in a presentation to the Board of Directors of First ULB by FIG. The summary set forth below does not purport to be a complete

description of either the analyses performed by FIG in rendering its opinion or the entirety of the presentation delivered by FIG to the Board of Directors of First ULB, but rather it summarizes the material analyses performed and presented by FIG in forming its conclusions as to the fairness of the Per Share Merger Consideration from a financial perspective.

The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances. In arriving at its opinion, FIG did not attribute any particular weight to any analysis and factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. FIG may have given various analyses more or less weight than other analyses. Accordingly, FIG believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, without considering all factors, could create an incomplete view of the process underlying the analyses set forth in its report to the First ULB Board of Directors and in rendering its fairness opinion.

In performing its analyses, FIG made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of First ULB, BC Bank or BayCom Corp. The analyses performed by FIG are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of FIG's analysis of the fairness of the Per Share Merger Consideration, from a financial point of view, to First ULB shareholders. The analyses do not purport to be an appraisal or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at the present time or at any time in the future. FIG's opinion does not address the relative merits of the Merger as compared to any other business combination in which First ULB might engage. In addition, as described above, FIG's opinion to the First ULB Board of Directors was one of many factors taken into consideration by the First ULB Board of Directors in making its determination to approve the Merger Agreement.

During the course of its engagement, and as a basis for arriving at its opinion, FIG reviewed and analyzed numerous materials bearing upon the financial and operating conditions of First ULB and BC Bank and materials and agreements prepared in connection with the Merger. As part of its review and analysis, FIG, among other things,

- reviewed the draft Agreement as of December 13, 2016 assumed to be substantially in the same form as the final agreement in all material respects;
- reviewed certain historical publicly available business and financial information concerning First ULB including, among other things, quarterly and annual reports filed by First ULB with the FRB and OCC;
- reviewed certain publicly available business and financial information concerning BC Bank including its Annual Reports, Proxy Statements, and call reports filed with the FDIC;
- reviewed certain internal financial statements and other financial and operating data concerning First ULB and BC Bank as well as analyzed proforma Regulatory capital levels;
- analyzed certain financial statements and information prepared by the management of First ULB and BC Bank;
- conducted meeting and held discussions with members of the senior management of First ULB and BC Bank to review the future prospects of First ULB and BC Bank, including financial estimates

related to their respective businesses, earnings, assets, and liabilities, and credit quality and the amount and timing of cost savings and revenue enhancements expected to be achieved as a result of the Merger;

- reviewed the terms of recent merger and acquisition transactions, to the extent publicly available, involving banks, thrifts and bank and thrift holding companies that FIG considered and deemed relevant;
- reviewed trading activity in BC Bank common stock over the last twelve months relative to price and volume;
- reviewed BC Bank’s financial performance and current valuation metrics relative to other publicly traded banks which were deemed similar to BC Bank; and
- performed such other analyses and considered such other factors as we have deemed relevant and appropriate.

FIG also took into account its experience in other transactions, as well as its knowledge of the commercial banking industry and its general experience in securities valuations.

In rendering its opinion, FIG assumed, without independent verification, the accuracy and completeness of the publicly and non-publicly available financial and other information furnished to FIG by First ULB and BC Bank and relied upon the accuracy of the representations and warranties of the parties contained in the Merger Agreement. FIG also assumed that the financial forecasts discussed with FIG by First ULB and BC Bank were reasonably prepared and reflected the best currently available estimates and judgments of senior management of First ULB and BC Bank as to the future financial performance of First ULB and BC Bank. FIG has not made any independent evaluation or appraisal of any properties, assets or liabilities of First ULB or BC Bank.

### *Contribution Analysis*

FIG prepared a contribution analysis demonstrating percentage contributions of: total assets; total loans; total deposits; tangible common equity; and last twelve month net income as of September 30, 2016 as well as FIG's internally generated projected net income for each of First ULB and BC Bank, based on FIG's discussions with both companies, for the years ending 2017 and 2018 for First ULB and for BC Bank to the combined company on a proforma basis and compared such contribution results to the Per Share and total Merger Consideration to be received by First ULB shareholders.

	First ULB Contribution To BC Bank
Total assets	40.9%
Total loans	37.4%
Total deposits	41.6%
Total tangible common equity	27.9%
LTM net income	54.5%

### ***Comparable Transaction Analysis***

As part of its analysis, FIG reviewed two groups of comparable merger transactions. The first peer group included transactions, which have been announced or completed since January 1, 2015, that involved target banks located in the Western U.S. Region (AK, AZ, CA, HI, ID, MT, NV, OR, WA, WY) that had total assets under \$800 million (the “Comparable Transactions - Western”). All consideration types were included. The group was also limited to bank holding companies and commercial banks and transactions where pricing was disclosed. This group consisted of the following 30 transactions:

<b><u>Date</u></b>	<b><u>Acquiror</u></b>	<b><u>Acquiror State</u></b>	<b><u>Target</u></b>	<b><u>Target State</u></b>
11/15/16	Glacier Bancorp Inc.	MT	TFB Bancorp Inc.	AZ
10/31/16	Heartland Financial USA Inc.	IA	Founders Bancorp	CA
09/22/16	CVB Financial Corp.	CA	Valley Commerce Bancorp	CA
09/02/16	Suncrest Bank	CA	Security First Bank	CA
09/01/16	AltaPacific Bancorp	CA	Commerce Bank Temecula Valley	CA
07/08/16	Commencement Bank	WA	Thurston First Bank	WA
06/08/16	Farmers & Merchants Bancorp	CA	Delta National Bancorp	CA
04/29/16	Central Valley Community Bncp	CA	Sierra Vista Bank	CA
04/26/16	Pacific Continental Corp.	OR	Foundation Bancorp Inc.	WA
04/26/16	Cascade Bancorp	OR	Prime Pacific Finl Services	WA
04/20/16	Glacier Bancorp Inc.	MT	Treasure State Bank	MT
04/06/16	First Interstate BancSystem	MT	Flathead Bk of Bigfork MT	MT
02/06/16	State Bank Corp	AZ	Country Bank	AZ
01/13/16	Beneficial State Foundation	CA	Pan American Bank	CA
01/04/16	Sierra Bancorp	CA	Coast Bancorp	CA
12/17/15	Pacific Commerce Bancorp	CA	ProAmérica Bank	CA
11/10/15	RBB Bancorp	CA	TFC Holding Co.	CA
10/14/15	CVB Financial Corp.	CA	County Commerce Bank	CA
10/01/15	Pacific Premier Bancorp	CA	Security California Bancorp	CA
09/28/15	HomeStreet Inc.	WA	Orange County Business Bank	CA
09/18/15	California Bank of Commerce	CA	Pan Pacific Bank	CA
08/27/15	Oak Valley Bancorp	CA	Mother Lode Bank	CA
07/27/15	Suncrest Bank	CA	Sutter Community Bank	CA
07/15/15	American Riviera Bank	CA	Bank of Santa Barbara	CA
06/23/15	Northwest Bancorp.	WA	Fairfield Financial Hldings Corp	WA
06/22/15	PBB Bancorp	CA	First Mountain Bank	CA
05/29/15	Heartland Financial USA, Inc.	IA	Premier Valley Bank	CA
05/15/15	Heartland Financial USA, Inc.	IA	First Scottsdale Bank NA	AZ
05/14/15	FNB Bancorp	CA	America California Bank	CA
03/26/15	First Interstate BancSystem	MT	Absarokee Bancorp Inc.	MT

In addition, FIG also reviewed comparable transactions which have been announced or completed since January 1, 2014, that involved target banks, thrifts and savings banks located throughout the United States that had total assets of under \$800 million (the “Comparable Transactions - National”). All consideration types were included. The group was also limited to transactions where pricing was disclosed. This group consisted of the following 30 transactions:

<b><u>Date</u></b>	<b><u>Acquiror</u></b>	<b><u>Acquiror State</u></b>	<b><u>Target</u></b>	<b><u>Target State</u></b>
10/21/16	IBM Southeast Employees' CU	FL	Mackinac SB FSB	FL
10/06/16	Salem Five Bancorp	MA	Georgetown Bancorp Inc.	MA
06/02/16	Prudential Bancorp Inc.	PA	Polonia Bancorp, Inc.	PA
04/04/16	DNB Financial Corp.	PA	East River Bank	PA
04/04/16	Westfield Financial Inc.	MA	Chicopee Bancorp Inc.	MA

<u>Date</u> <u>Announced</u>	<u>Acquiror</u>	<u>Acquiror</u> <u>State</u>	<u>Target</u>	<u>Target</u> <u>State</u>
03/10/16	Horizon Bancorp	IN	LaPorte Bancorp Inc.	IN
12/30/15	Emclaire Financial Corp.	PA	United-American Savings Bank	PA
12/18/15	Bay Bancorp Inc.	PA	Hopkins Bancorp Inc.	MD
11/24/15	MainSource Financial Group	IN	Cheviot Financial	OH
10/22/15	Beneficial Bancorp Inc.	PA	Conestoga Bank	PA
10/13/15	Hamilton Bancorp Inc.	MD	Fraternity Community Bancorp	MD
09/03/15	NextTier Inc.	PA	Eureka Financial Corp	PA
07/28/15	Equity Bancshares Inc.	KS	First Independence Corp.	KS
06/18/15	Home Bancorp Inc.	LA	Louisiana Bancorp Inc.	LA
06/04/15	Liberty Bank	CT	Naugatuck Valley Finl	CT
03/03/15	WSFS Financial Corp	DE	Alliance Bancorp of Penn	PA
02/19/15	Horizon Bancorp	IN	Peoples Bancorp Inc.	IN
12/30/15	First NBC Bank Holding Co.	LA	State Investors Bancorp Inc.	LA
11/04/15	Berkshire Hills Bancorp Inc.	MA	Hampden Bancorp Inc.	MA
09/25/14	Putnam County SB	NY	CMS Bancorp Inc.	NY
09/10/14	CapeBancorp Inc.	NJ	Colonial Financial Services	NJ
08/05/14	Independent Bank Corp.	MA	Peoples Federal Bancshares Inc.	MA
07/22/14	Codorus Valley Bancorp Inc.	PA	Madison Bancorp Inc.	MD
06/04/14	Old National Bancorp	IN	LSB Financial Corp.	IN
05/05/14	Green Bancorp Inc.	TX	SP Bancorp Inc.	TX
04/21/14	Peoples Bancorp Inc.	OH	North Akron Savings Bank	OH
04/14/14	CB Financial Services Inc.	PA	FedFirst Financial Corp.	PA
04/08/14	F.N.B. Corp.	PA	OBA Financial Services Inc.	MD
01/23/14	HomeTrust Bancshares Inc.	NC	Jefferson Bancshares Inc.	TN
01/08/14	Southern National Bncp of VA	VA	Prince George's FSB	MD

FIG calculated the medians and averages of the following relevant transaction ratios in the Comparable Transactions – U.S. Western Region and the Comparable Transactions - National: the percentage of the offer value to the acquired company's stated book value, tangible book value, last twelve months earnings ("LTM"), the tangible book value premium to core deposits, premium to market price one day prior to announcement, and the relative tangible book value received. FIG compared these multiples with the corresponding multiples for the Merger, valuing the total Merger Consideration that would be received pursuant to the Merger Agreement as of December 14, 2016 at approximately \$37.148 million, or \$26.35 per FUBP common share based upon the per share Merger Consideration to be received of \$13.50 in cash plus 0.9733 shares of BayCom Corp, valued at the then trading value of \$13.20 as of December 13, 2016. In calculating the multiples for the Merger, FIG used First ULB's stated book value, tangible book value per share, LTM earnings, and total core deposits as of September 30, 2016. The results of this analysis are as follows:

	Offer Value to					Relative TBV Pricing (%)
	Stated Book Value (%)	Tangible Book Value (%)	LTM Earnings (x)	Core Deposit Premium (%)	Prem To Market Price (%)	
First ULB <sup>1</sup>	128	129	13.4	2.1	62.9	133.3
Transaction - Western Median	129	129	18.8	4.6	45.3	97.6
Transactions - Western Average	128	130	18.3	3.9	50.5	94.8
Transactions - National Median	120	123	23.2	5.3	22.2	94.4
Transaction – National Average	123	124	23.4	5.1	25.5	98.3

### ***Discounted Cash Flow Analysis- First ULB***

FIG estimated the present value of a share of First ULB’s common stock based on First ULB’s estimated future earnings stream beginning for the remainder of 2016 through 2020. Derived from discussion with First ULB management and FIG estimates, as well as, FIG’s current view of industry trends and the current interest rate and competitive environment, net income for the remainder of 2016, and the years ending 2017, 2018, 2019, and 2020 is estimated at \$615 thousand, \$3.488 million, \$3.669 million, \$4.092 million, and \$4.399 million, respectively. The present value of these earnings was calculated based on a range of discount rates of 11.0%, 12.0%, and 13.0%, respectively. In order to derive the terminal value of First ULB’s earnings stream beyond 2016, FIG performed two separate analyses using: 1) a terminal acquisition multiple in 2020 at 15.0 times estimated earnings; and 2) a terminal acquisition multiple in 2020 at 1.3 times estimated tangible book value. The present value of these terminal amounts was then calculated based on the range of discount rates. These rates and values were chosen to reflect different assumptions regarding the required rates of return of holders or prospective buyers of First ULB’s common stock. The two analyses and the underlying assumptions yielded a range of value for First ULB’s common stock of approximately 1) \$26.03 per share to \$31.55 per share based on earnings; and 2) \$22.67 per share to \$28.66 per share based on tangible book, compared to the merger consideration of \$26.35 per share.

### ***BC Bank’s Public Trading Metrics***

FIG reviewed BC Bank’s current trading valuation metrics to a group of selected publicly traded comparable companies to assess the relative value of BC Bank’s stock.

The peer group includes commercial banking companies located in California that have total assets between \$450 million and \$1.0 billion and a ratio of return on average assets over the last twelve months of greater than 0.50% (the “Comparable Companies - California”) This group consisted of the following 12 companies:

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<sup>1</sup> Based on BCML trading price of \$13.20 as of December 13, 2016

<u>Comparable Companies</u>	<u>State</u>	<u>Comparable Companies (Cont.)</u>	<u>State</u>
Oak Valley Bancorp	CA	First Choice Bank	CA
California Bank of Commerce	CA	Presidio Bank	CA
Avidbank Holdings, Inc.	CA	Community West Bancshares	CA
American River Bankshares	CA	Santa Cruz County Bank	CA
1 <sup>st</sup> Capital Bank	CA	Summit State Bank	CA
Private Bancorp of America, Inc.	CA	CommerceWest Bank	CA

FIG calculated the medians and averages of the following relevant current valuation ratios on the Comparable Companies – California: the percentage of the stock price to tangible book value and the multiple of stock price to the last twelve months earnings. The results of this analysis are as follows:

	Last Twelve Months of Earnings Per Share (x)	Tangible Book Value (%)
BC Bank	15.83	95.88
Companies – California Median	15.42	125.1
Companies – California Average	15.68	129.0

#### ***Discounted Cash Flow Analysis- BC Bank***

FIG estimated the present value of BC Bank’s common stock based on BC Bank’s estimated future earnings stream beginning in last quarter of 2016. Reflecting FIG’s internal projections and FIG estimates based upon discussion with BC Bank, FIG assumed net income in the remainder of 2016 as well as the years ending 2017, 2018, 2019, and 2020 of \$1.336 million, \$7.084 million, \$7.239 million, \$7.915 million, and \$8.532 million, respectively. The present value of these earnings was calculated based on a range of discount rates of 11.0%, 12.0%, and 13.0%, respectively. In order to derive the terminal value of BC Bank’s earnings stream over the period analyzed, FIG performed two separate analyses using: 1) a terminal trading multiple in 2020 at 15.0 times estimated earnings; and 2) a terminal trading multiple in 2020 at 1.25 times estimated tangible book value in the terminal year. The present value of these terminal amounts was then calculated based on the range of discount rates. These rates and values were chosen to reflect different assumptions regarding the required rates of return of holders or prospective buyers of BC Bank’s common stock. The two analyses and the underlying assumptions yielded a range of value for BC Bank’s common stock of approximately 1) \$13.03 per share to \$15.79 per share based on earnings; and 2) 13.74 per share to \$17.58 per share based on tangible book.

#### ***Proforma Merger Analysis***

FIG analyzed certain potential proforma effects of the Merger, based on the following assumptions: (i) the Merger closes in the second calendar quarter of 2017, and; (ii) each share of the outstanding First ULB common stock is converted into the number of shares of BC Bank stock equal to the Exchange Ratio and the Per Share Cash Consideration. FIG also incorporated the following assumptions, as provided by or based on discussion with the respective senior managements of First ULB and BC Bank: (a) internal financial projections for First ULB and BC Bank for the years ending December 31, 2016 through December 31, 2020 based upon FIG estimates and discussion with respective senior managements (b) purchase accounting adjustments consisting of (i) a credit mark on loans, (ii) an interest rate mark on loans, (iii) a core deposit intangible; (c) estimated annual cost savings; (d) estimated, pre-tax, one-time transaction costs; and (e) an



annual pre-tax opportunity cost of cash. The analysis indicated that the Merger could be accretive to First ULB's estimated earnings per share in 2017 and accretive to estimated tangible book value per share at close. In connection with this analyses, FIG considered and discussed with the Board of Directors and senior management of First ULB how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

FIG will receive a fee from First ULB for performing its financial advisory services in connection with the Merger and rendering its written opinion to the First ULB Board of Directors as to the fairness, from a financial point of view, of the Per Share Merger Consideration to be paid to First ULB's shareholders by BC Bank and BayCom Corp; a portion of which is contingent upon the consummation of the merger. Based on BC Bank's December 13, 2016 closing price of \$13.20, FIG would receive total fees of approximately \$463.4 thousand for all services performed in the Merger and in rendering its opinion. Further, First ULB has agreed to indemnify FIG against any claims or liabilities arising out of FIG's engagement by First ULB.

**Based upon the foregoing analyses and other investigations and assumptions set forth in its opinion, without giving specific weightings to any one factor or comparison, FIG determined that the Per Share Merger Consideration was fair, from a financial perspective, to the First ULB common shareholders.**

#### *Opinion of BayCom Corp's Financial Advisor*

BC Bank's board of directors retained Vining Sparks to render financial advisory and investment banking services. Vining Sparks is a nationally recognized investment banking firm with substantial expertise in transactions similar to the proposed transaction and is familiar with BC Bank and its business. As part of its investment banking business, Vining Sparks is regularly engaged in the valuation of financial services companies and their securities in connection with mergers and acquisitions, private placements and valuations for estate, corporate and other purposes.

On December 14, 2016, Vining Sparks delivered its opinion to BC Bank that the consideration to be paid to the First ULB shareholders in the proposed transaction is fair, from a financial point of view, to BC Bank's common shareholders. The full text of Vining Sparks' opinion is attached as Appendix D to this Joint Proxy Statement/Offering Circular and should be read in its entirety.

Vining Sparks' opinion was directed to BC Bank's board of directors and is limited to the fairness, from a financial point of view, of the consideration to be paid by BC Bank in the proposed transaction. It did not address BC Bank's underlying business decision to proceed with the proposed transaction or constitute a recommendation to the BC Bank Board of Directors as to how it should vote on the Merger, and does not constitute a recommendation to any holder of BC Bank common stock as to how such shareholder should vote in connection with the Merger.

Vining Sparks' opinion was reviewed and approved by Vining Sparks' Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

For purposes of Vining Sparks' opinion and in connection with its review of the proposed transaction, Vining Sparks has, among other things:

- reviewed the terms of the Merger Agreement made available to Vining Sparks;

- reviewed certain publicly available financial statements, both audited (where available) and unaudited, and related financial information of BC Bank and First ULB, including those included in their respective annual reports for the past two years and their respective quarterly reports for the past two years;
- reviewed certain internal financial information and financial forecasts relating to the business, earnings, cash flows, assets and prospects of BC Bank and First ULB furnished to Vining Sparks by BC Bank and First ULB management;
- held discussions with members of executive and senior management of BC Bank and First ULB concerning the past and current results of operations of BC Bank and First ULB, their respective current financial condition and management's opinion of their respective future prospects;
- reviewed certain financial performance and stock market information for BC Bank and First ULB and compared such information with similar data available for certain other financial institutions the securities of which are publicly traded;
- reviewed the financial terms of merger and acquisition transactions, to the extent publicly available, involving financial institutions and financial institution holding companies that Vining Sparks deemed to be relevant; and
- reviewed such other information, financial studies, analyses and investigations, as Vining Sparks considered appropriate under the circumstances.

In conducting its review and arriving at its opinion, Vining Sparks has assumed and relied, without independent verification, upon the accuracy and completeness of all of the financial and other information that has been provided to it by BC Bank and First ULB, and their respective representatives, and of the publicly available information that was reviewed by Vining Sparks. Vining Sparks is not an expert in the evaluation of the adequacy of allowances for loan losses and it did not independently verify the adequacy of such allowances. Vining Sparks assumed that the allowance for loan losses set forth in the financial statements of BC Bank and First ULB were adequate to cover such losses and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. Vining Sparks did not conduct a physical inspection of any of the properties or facilities of BC Bank or First ULB, did not make any independent evaluation or appraisal of the assets, liabilities or prospects of BC Bank or First ULB, was not furnished with any such evaluation or appraisal, and did not review any individual credit files.

Vining Sparks relied upon the management of BC Bank and First ULB as to the reasonableness of the financial and operating forecasts, and projections (and the assumptions and bases therefore) provided to or reviewed by Vining Sparks, and Vining Sparks assumed that such forecasts and projections reflect the best currently available estimates and judgments of BC Bank and First ULB management. BC Bank and First ULB do not publicly disclose internal management forecasts, projections or estimates of the type furnished to or reviewed by Vining Sparks in connection with its analysis of the financial terms of the proposed transaction, and such forecasts and estimates were not prepared with a view towards public disclosure. It is understood that these forecasts and estimates referred to above were based on numerous variables and assumptions that are inherently uncertain and which may not be within the control of the management of BC Bank or First ULB, including without limitation to, the general economic, regulatory and competitive conditions. Accordingly, actual results could vary materially from those set forth in such forecasts and estimates.

Vining Sparks' opinion is necessarily based on economic, market, and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Events occurring after the date thereof, including but not limited to, changes affecting the securities markets, the results of operations or material changes in the assets or liabilities of First ULB or BC Bank could materially affect the assumptions used in preparing the opinion. Vining Sparks assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of either BC Bank or First ULB since the date of the last financial statements of each entity that were made available to Vining Sparks. Vining Sparks assumed that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to the merger agreement will perform all of the covenants required to be performed by each party under such agreement and that the conditions precedent in the merger agreement are not waived.

In delivering its opinion to the board of directors of BC Bank, Vining Sparks prepared and delivered to BC Bank's Board of Directors written materials containing various analyses and other information. The following is a summary of the material financial analyses performed by Vining Sparks in connection with the preparation of its opinion and does not purport to be a complete description of all the analyses performed by Vining Sparks. The summary includes information presented in tabular format, which should be read together with the text that accompanies those tables. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, an opinion is not necessarily susceptible to partial analysis or summary description. Vining Sparks believes that its analyses must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and the processes underlying its opinion. In its analyses, Vining Sparks made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of BC Bank, First ULB and Vining Sparks. Any estimates contained in Vining Sparks' analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold.

Vining Sparks' opinion was based on information available to Vining Sparks through the date of its opinion and conditions as they existed and could be evaluated on the date thereof. Vining Sparks reviewed the financial terms of the proposed transaction set forth in the merger agreement whereby each shareholder of First ULB common stock will receive Per Share Cash Consideration of \$13.50 and Per Share Stock Consideration of 0.9733 shares of BayCom Corp common stock. For purposes of the financial analyses described below, Vining Sparks calculated an implied transaction value of \$27.18 per share, or an aggregate of \$38,329,067, which was based on \$13.50 per share in cash, 1,409,938 shares of First ULB common stock outstanding and a stock price of \$14.06 per share for BC Bank (based on the estimated book value at December 31, 2016).

*Selected Company Analysis – BC Bank.* Vining Sparks used publicly available information to compare selected financial and market trading information for BC Bank and a selected group of financial institutions. The BC Bank peer group consisted of publicly traded California banks with total assets between \$450 million and \$850 million, excluding merger targets. While Vining Sparks believes that the companies listed below are similar to BC Bank, none of these companies have the same composition, operations, size or financial profile as BC Bank.

<u>Company</u>	<u>Ticker</u>	<u>City</u>	<u>State</u>
1st Capital Bank	FISB	Monterey	CA
American River Bankshares	AMRB	Rancho Cordova	CA
American Riviera Bank	ARBV	Santa Barbara	CA
Avidbank Holdings, Inc.	AVBH	Palo Alto	CA
California Bank of Commerce	CABC	Lafayette	CA
CommerceWest Bank	CWBK	Irvine	CA
Community West Bancshares	CWBC	Goleta	CA
First Choice Bank	FCBK	Cerritos	CA
Mission Bancorp	MSBC	Bakersfield	CA
OP Bancorp	OPBK	Los Angeles	CA
Pacific Commerce Bancorp	PCBC	Los Angeles	CA
PBB Bancorp	PBCA	Los Angeles	CA
Plumas Bancorp	PLBC	Quincy	CA
Presidio Bank	PDOB	San Francisco	CA
Private Bancorp of America, Inc.	PBAM	La Jolla	CA
Santa Cruz County Bank	SCZC	Santa Cruz	CA
Seacoast Commerce Banc Holdings	SCBH	San Diego	CA
Summit State Bank	SSBI	Santa Rosa	CA
United Security Bancshares	UBFO	Fresno	CA
Valley Republic Bancorp	VLLX	Bakersfield	CA

To perform this analysis, Vining Sparks used financial information as of September 30, 2016, a price of \$13.25 for BC Bank (the closing price on December 9, 2016) and pricing data for the peer group as of December 9, 2016 obtained from SNL Financial LC. The following table sets forth the comparative financial and market data:

	<u>BC Bank</u>	<u>Peer Group Median</u>
Total Assets (in millions)	\$652.7	\$578.6
Return on Average Assets	0.84%	0.96%
Return on Average Equity	7.23%	8.32%
Equity/Assets	11.65%	9.70%
Loans/Deposits	90.31%	88.57%
Loan Loss Reserve/Gross Loans	0.83%	1.21%
Nonperforming Assets/Assets	0.38%	0.23%
Efficiency Ratio	61.19%	61.28%
Price/Book Value Per Share	0.95x	1.17x
Price/Tangible Book Value Per Share	0.96x	1.24x
Price/Est. 2016 Earnings Per Share	13.5x	14.8x

*Selected Company Analysis - First ULB.* Vining Sparks used publicly available information to compare selected financial and market trading information for First ULB and a selected group of financial institutions. The First ULB peer group consisted of publicly traded California banks with total assets between \$350 million and \$550 million, excluding merger targets. While Vining Sparks believes that the companies listed below are similar to First ULB, none of these companies have the same composition, operations, size or financial profile as First ULB.

<u>Company</u>	<u>Ticker</u>	<u>City</u>	<u>State</u>
1st Capital Bank	FISB	Monterey	CA
AltaPacific Bancorp	ABNK	Santa Rosa	CA
American Riviera Bank	ARBV	Santa Barbara	CA
Bank of Southern California, N.A.	BCAL	San Diego	CA
Broadway Financial Corporation	BYFC	Los Angeles	CA
CommerceWest Bank	CWBK	Irvine	CA
Community 1st Bancorp	CFBN	Auburn	CA
PBB Bancorp	PBCA	Los Angeles	CA
Private Bancorp of America, Inc.	PBAM	La Jolla	CA
Summit State Bank	SSBI	Santa Rosa	CA
Suncrest Bank	SBKK	Visalia	CA

To perform this analysis, Vining Sparks used financial information as of September 30, 2016, a price of \$16.20 for First ULB (the closing price on December 9, 2016) and pricing data for the peer group as of December 9, 2016 obtained from SNL Financial LC. The following table sets forth the comparative financial and market data:

	<u>First ULB</u>	<u>Peer Group Median</u>
Total Assets (in millions)	\$452.6	\$463.6
Return on Average Assets	0.82%	0.89%
Return on Average Equity	12.63%	7.66%
Equity/Assets	6.46%	11.48%
Loans/Deposits	75.61%	88.57%
Loan Loss Reserve/Gross Loans	1.08%	1.18%
Nonperforming Assets/Assets	0.00%	0.35%
Efficiency Ratio	68.90%	61.90%
Price/Book Value Per Share	0.78x	1.11x
Price/Tangible Book Value Per Share	0.79x	1.14x
Price/ Est. 2016 Earnings Per Share	6.9x	15.5x

*Analysis of Selected Financial Institution Transactions.* Vining Sparks reviewed certain publicly available information regarding selected merger and acquisition transactions (the “Comparable Transactions”) announced from January 1, 2015 to December 9, 2016 involving 25 California financial institutions with total assets under \$5 billion. The transactions included in the group are shown in the following chart. This data was obtained from SNL Financial LC.

<u>Acquirer</u>	<u>Acquired Company</u>
Plaza Bank	Manhattan Bancorp
Western Alliance Bancorporation	Bridge Capital Holdings
Heritage Commerce Corp	Focus Business Bank
FNB Bancorp	America California Bank
Heartland Financial USA, Inc.	Premier Valley Bank
PBB Bancorp	First Mountain Bank
American Riviera Bank	Bank of Santa Barbara
Suncrest Bank	Sutter Community Bank

**Acquirer**

California Bank of Commerce  
HomeStreet, Inc.  
Pacific Premier Bancorp, Inc.  
CVB Financial Corp.  
RBB Bancorp  
BBCN Bancorp, Inc.  
Pacific Commerce Bancorp  
Sierra Bancorp  
Private Investor  
Midland Financial Co.  
Mechanics Bank  
Central Valley Community Bancorp  
Cathay General Bancorp  
AltaPacific Bancorp  
Suncrest Bank  
CVB Financial Corp.  
Heartland Financial USA, Inc.

**Acquired Company**

Pan Pacific Bank  
Orange County Business Bank  
Security California Bancorp  
County Commerce Bank  
TFC Holding Company  
Wilshire Bancorp, Inc.  
ProAmérica Bank  
Coast Bancorp  
Eastern International Bank  
1st Century Bancshares, Inc.  
California Republic Bancorp  
Sierra Vista Bank  
SinoPac Bancorp  
Commerce Bank of Temecula Valley  
Security First Bank  
Valley Commerce Bancorp  
Founders Bancorp

Vining Sparks reviewed the multiples of transaction value to stated book value, transaction value to tangible book value, transaction value to earnings, transaction value to assets and tangible book premium to core deposits and calculated high, low, mean and median multiples for the Comparable Transactions. These ratios were compared with corresponding transaction ratios for the proposed merger based on the estimated transaction value of \$27.18 per share for First ULB common stock. The results of the analysis are set forth in the following table:

	<b>First ULB Transaction</b>		<b>Comparable Transactions</b>			
	<b><u>Value</u></b>		<b><u>Low</u></b>	<b><u>Median</u></b>	<b><u>Mean</u></b>	<b><u>High</u></b>
Transaction Multiples:	<b><u>\$27.18</u></b>					
Transaction Value/Book Value	1.31x	0.92x	1.31x	1.42x	2.22x	
Transaction Value/Tangible Book Value	1.32x	1.01x	1.36x	1.48x	2.24x	
Transaction Value/Est. 2016 Earnings	11.61x	1.92x	26.57x	28.68x	68.84x	
Transaction Value/Assets	8.47%	8.48%	16.14%	16.97%	28.13%	
Tangible Premium/ Core Deposits	2.37%	0.26%	6.99%	8.65%	22.85%	

No company or transaction used as a comparison in the above analysis is identical to First ULB or the proposed transaction. Accordingly, an analysis of these results is not strictly mathematical. An analysis of the results of the foregoing involves complex considerations and judgments concerning differences in financial and operating characteristics of First ULB and the companies included in the Comparable Transactions.

*Present Value Analysis.* Vining Sparks calculated the present value of theoretical future earnings of First ULB and compared the transaction value to the calculated present value of First ULB's common stock on a stand-alone basis. Based on projected earnings for First ULB of \$3.3 million in 2016, \$2.9 million in 2017, \$3.2 million in 2018, \$3.4 million in 2019, \$3.6 million in 2020 and \$3.8 million in 2021, discount rates ranging from 8% to 16%, and including a residual value, the stand-alone present value of First ULB common stock indicated an implied range of values per share of \$17.72 to \$46.61.

Discount Rate	<u>16%</u>	<u>14%</u>	<u>12%</u>	<u>10%</u>	<u>8%</u>
Present Value (in thousands)	\$24,984	\$29,608	\$36,290	\$46,796	\$65,715
Present Value (per share)	\$17.72	\$21.00	\$25.74	\$33.19	\$46.61

*Discounted Cash Flow Analysis.* Using a discounted cash flow analysis, Vining Sparks estimated the net present value of the future streams of after-tax cash flow that First ULB could produce to benefit a potential acquirer, referred to as dividendable net income, and added a terminal value. Based on projected earnings for First ULB for 2016 through 2021, Vining Sparks assumed after-tax distributions to a potential acquirer such that its tier 1 leverage ratio would be maintained at 8.00%. The terminal value for First ULB was calculated based on First ULB's projected 2021 tangible equity and earnings, the median price to tangible book and price to earnings multiple paid in the Comparable Transactions and utilized discount rates ranging from 8% to 16%. This discounted cash flow analysis indicated an implied range of values per share of First ULB common stock of \$21.10 to \$52.73.

Discount Rate	<u>16%</u>	<u>14%</u>	<u>12%</u>	<u>10%</u>	<u>8%</u>
Terminal Value of 1.36x Tangible Book					
Present Value (in thousands)	\$29,751	\$32,328	\$35,186	\$38,361	\$41,895
Present Value (per share)	\$21.10	\$22.93	\$24.96	\$27.21	\$29.71
Terminal Value of 26.57x Earnings					
Present Value (in thousands)	\$52,453	\$57,092	\$62,241	\$67,967	\$74,346
Present Value (per share)	\$37.20	\$40.49	\$44.14	\$48.21	\$52.73

*Proforma Merger Analysis.* Vining Sparks performed proforma merger analyses to calculate the financial implications of the Merger to BC Bank common shareholders. This analysis assumes, among other things, the terms of the transaction as indicated above, that the Merger closes at March 31, 2017 and cost savings and revenue enhancement opportunities of \$3,000,000 in 2017 and \$5,000,000 annually in the years 2018 through 2021, which approximates 30% of First ULB's estimated 2016 overhead expenses. This analysis utilized earnings estimates of \$5.3 million in 2016 and \$5.9 million in 2017 for BC Bank and \$3.3 million in 2016 and \$2.9 million in 2017 for First ULB. This analysis indicated that in 2017, the Merger would be approximately 27% accretive to BC Bank's projected earnings per share.

In the two years prior to the issuance of this opinion, Vining Sparks has not had a material relationship with BC Bank or First ULB where compensation was received or that we contemplate will be received after closing of the transaction. Pursuant to the terms of an engagement letter with BC Bank, Vining Sparks will receive a fee of \$30,000 plus expenses up to \$2,500 upon delivery of its opinion. Vining Sparks' fee is not contingent upon consummation of the proposed transaction. In addition, BC Bank has agreed to indemnify Vining Sparks against certain liabilities and expenses arising out of or incurred in connection with its engagement, including liabilities and expenses which may arise under the federal securities laws.

## **Accounting Treatment**

The Merger will be accounted for using the acquisition method of accounting which will result in (1) the recorded assets and liabilities of BayCom Corp being carried forward at their recorded amounts, (2) BayCom Corp's historical operating results remaining unchanged for the prior periods being reported on and (3) the assets and liabilities of First ULB being adjusted to fair value at the date BayCom Corp assumes control of the combined entities. In addition, all identifiable intangible assets of First ULB will be recorded by BayCom Corp at their fair value and included as part of the net assets acquired. The amount by which the purchase price, consisting of the value of cash and shares of BayCom Corp common stock to be issued to former First ULB shareholders, exceeds the fair value of the net assets of First ULB at the closing date of the Merger will be reported as goodwill of BayCom Corp. Goodwill is not amortized and will be evaluated for impairment at least annually. Recognized identifiable definite-lived intangible assets will be amortized over their estimated lives. The operating results of First ULB will be included in the operating results of BayCom Corp from the closing date of the Merger forward.

## **THE MERGER AGREEMENT**

*The following describes aspects of the Merger, including material terms of the Merger Agreement. The description of the Merger Agreement is subject to, and qualified in its entirety by reference to, the Merger Agreement, which is attached to this document as Appendix A, and is incorporated by reference in this document. You are urged to carefully read the entire Merger Agreement.*

### **The Merger**

First ULB, UB Bank, BayCom Corp and BC Bank entered into the Merger Agreement on December 14, 2016. Under the Merger Agreement's terms, First ULB will merge with and into BayCom Corp. The separate corporate existence of First ULB will cease, and BayCom Corp will be the survivor. Immediately following the Merger, UB Bank will be merged with and into BC Bank, and BC Bank will be the surviving bank and will continue to be a wholly-owned subsidiary of BayCom Corp. Each share of First ULB common stock issued and outstanding, other than shares with respect to which dissenters' rights have been perfected, will be converted into (i) \$13.50 in cash, and (ii) 0.9733 shares of BayCom Corp common stock. See "The Merger—The Merger Consideration," above, for additional information with respect to the merger consideration to be received by shareholders of First ULB in the Merger.

First ULB and BayCom Corp have generally structured the Merger to qualify as a tax-free reorganization from their perspectives. However, the cash component of this transaction will likely result in income tax consequences for First ULB shareholders. You are urged to read the section entitled "Joint Proposal 1—The Merger—Material Federal Income Tax Consequences" for additional information.

### **The Closing**

The Merger will be effective at the date and time an agreement of merger is filed with and approved by the California Secretary of State. At the closing, the parties will exchange various documents, including officers' certificates, as required by the Merger Agreement. The Merger Agreement provides that the timing for the closing and the completion of the Merger shall take place no later than the tenth (10th) calendar day after all conditions to the Merger have been satisfied or waived or such other time as may be jointly designated by the parties to the Merger Agreement.

Based upon the timing for the shareholder meetings and the present and anticipated timing of the regulatory approvals, it is presently anticipated that the Merger will be closed early in the second quarter of 2017. Neither First ULB nor BayCom Corp can assure you that the Merger will close at that time.



## **Exchange Procedures**

Following the effectiveness of the Merger, an exchange agent designated by BayCom Corp, with First ULB's prior approval, will provide a letter of transmittal to holders of record of First ULB common stock, advising such holders of the procedure for surrendering their stock to the exchange agent in exchange for the Merger Consideration.

Upon the surrender of the shares of First ULB common stock, the holder will be entitled to receive in exchange therefor:

- (1) a certificate representing the number of whole shares of BayCom Corp common stock that such holder is entitled to receive pursuant to the Merger, and
- (2) a check in the amount, after giving effect to any required tax withholdings, of the cash consideration that such holder is entitled to receive pursuant to the Merger.

## **Board of Directors and Executive Officers**

The Board of Directors of BayCom Corp and BC Bank following the Merger will be the same as the Board of Directors of BayCom Corp and BC Bank prior to the Merger provided that two new directors who are currently directors of First ULB, Malcolm Hotchkiss and Rocco Davis, will join the BayCom Corp Board upon the consummation of the Merger. There will be no change in the executive officers of BayCom Corp or BC Bank as a result of the Merger.

## **Conditions to the Merger**

The obligations of BayCom Corp and BC Bank, on the one hand, and First ULB and UB Bank, on the other hand, to effect the Merger are subject to the satisfaction or waiver of customary and certain other conditions set forth in the Merger Agreement. Each of the parties' obligation to consummate the Merger under the Merger Agreement is subject to the following conditions:

- *Regulatory Approvals.* All regulatory approvals required to consummate the transactions contemplated by the Merger Agreement, including but not limited to the Merger, and the merger of the two banks, shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired, and no such approvals shall contain any conditions, restrictions or requirements which BayCom Corp and BC Bank, on the one hand, or First ULB and UB Bank on the other hand, reasonably determine in good faith would, individually or in the aggregate, materially reduce the benefits of the transactions contemplated by the Merger Agreement to such a degree that BayCom Corp and BC Bank or First ULB and UB Bank, as the case may be, would not have entered into the Merger Agreement had such conditions, restrictions or requirements been known at the date thereof.
- *No Injunction.* No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and prohibits or makes illegal consummation of the transactions contemplated by the Merger Agreement.
- *Corporate Approvals.* The Merger Agreement, the Merger and the transactions contemplated therein shall have been duly approved by (i) the Board of Directors of First ULB, (ii) the Board of Directors of UB Bank, (iii) the affirmative vote of the holders of a majority of the outstanding shares of First ULB common stock, (iv) First ULB, as the sole shareholder of UB Bank, (v) the

Board of Directors of BC Bank, (vi) the Board of Directors of BayCom Corp, (vii) BayCom Corp, as the sole shareholder of BC Bank, and (viii) the affirmative vote of the holders of a majority of the outstanding shares BayCom Corp common stock.

- *Permit.* The permit to be granted by the DBO with respect to the issuance of the shares of BayCom Corp (the “Permit”) shall have been issued after a hearing before the DBO upon the fairness of the terms and conditions of the issuance and exchange of shares of BayCom Corp common stock for shares of First ULB common stock and cash, no stop order denying effectiveness to, or suspending or revoking the effectiveness of such qualification shall be in effect and no proceedings for such purpose shall have been initiated or threatened by or before the DBO, and the shares of BayCom Corp common stock qualified under the Permit issued by the DBO shall have received all state securities and “Blue Sky” permits or approvals required to consummate the transactions contemplated by the Merger Agreement.

The obligations of BayCom Corp and BC Bank to effect the Merger are subject to the satisfaction or waiver of the following additional conditions:

- *Representations and Warranties.* The representations and warranties of First ULB and UB Bank set forth in the Merger Agreement shall be true and correct as of the date of the Merger Agreement and as of the closing date of the Merger as though made on and as of the closing date, except as otherwise permitted under the terms of the Merger Agreement.
- *Performance of Obligations of First ULB and UB Bank.* First ULB and UB Bank shall have performed in all material respects all obligations required to be performed by each of them under the Merger Agreement at or prior to the closing date of the Merger, and BayCom Corp and BC Bank shall have received a certificate, dated as of the closing date of the Merger, signed on behalf of First ULB and UB Bank by the President and Chief Financial Officer of each entity to such effect.
- *Estoppel Letters, Consents and Title Policies.* First ULB and UB Bank shall have delivered fully executed estoppel letters and any required consents and title policies as provided pursuant to the terms of the Merger Agreement.
- *FIRPTA Certificate.* First ULB and UB Bank shall have delivered a properly executed statement from First ULB and UB Bank that meets the requirements of Treasury Regulations Sections 1.1445-2(c)(3) and 1.897-2(h)(1), dated as of the closing date of the Merger and in form and substance satisfactory to BayCom Corp and BC Bank.
- *No Material Adverse Effect.* There shall not have occurred any event, circumstance, change, occurrence or state of facts that, individually or in the aggregate with all such other events, circumstances, changes, occurrences or states of facts, has resulted in or would reasonably be expected to result in, a material adverse effect on First ULB and/or UB Bank.
- *Other Actions.* First ULB and UB Bank shall have furnished BayCom Corp and BC Bank with such certificates of their respective officers or others and such other documents to evidence fulfillment of the conditions set forth under the terms of the Merger Agreement.

The obligations of First ULB and UB Bank to effect the Merger are subject to the satisfaction or waiver of the following additional conditions:

- *Representations and Warranties.* The representations and warranties of BayCom Corp and BC Bank set forth in the Merger Agreement shall be true and correct as of the date of the Merger Agreement and as of the closing date of the Merger Agreement as though made on and as of the closing date, except as otherwise permitted under the terms of the Merger Agreement.
- *Performance of Obligations of BayCom Corp and BC Bank.* Each of BayCom Corp and BC Bank shall have performed in all material respects all obligations required to be performed by it under the Merger Agreement at or prior to the closing date of the Merger Agreement, and First ULB and UB Bank shall have received a certificate or certificates, dated as of the closing date of the Merger Agreement, signed on behalf of BayCom Corp and BC Bank by the President and Chief Executive Officer and the Chief Financial Officer of each such entity to such effect.
- *No Material Adverse Effect.* There shall not have occurred any event, circumstance, change, occurrence or state of facts that, individually or in the aggregate with all such other events, circumstances, changes, occurrences or states of facts, has resulted in or would reasonably be expected to result in, a Material Adverse Effect on BayCom Corp or BC Bank.
- *Payment of Merger Consideration.* BayCom Corp shall have delivered the Merger Consideration to the exchange agent and the exchange agent shall have provided First ULB and UB Bank with a certificate evidencing such delivery.
- *Appointment of Directors.* BayCom Corp shall have offered to appoint the two new First ULB directors to serve on its Board of Directors effective immediately after the effective time of the Merger.
- *Other Actions.* BayCom Corp and BC Bank shall have furnished First ULB and UB Bank with such certificates of its respective officers or others and such other documents to evidence fulfillment of the conditions set forth under the terms of the Merger Agreement.
- *Well-Capitalized.* BayCom Corp will, after payment of the Per Share Merger Consideration, be “well-capitalized.”

## **Representations and Warranties**

The Merger Agreement contains representations and warranties made by First ULB and UB Bank to BayCom Corp and BC Bank, and representations and warranties made by BC Bank and BayCom Corp to First ULB and UB Bank. The representations and warranties in the Merger Agreement and the description of them in this Joint Proxy Statement/Offering Circular should be read in conjunction with the other information provided elsewhere in this Joint Proxy Statement/Offering Circular.

The representations and warranties made by First ULB and UB Bank in the Merger Agreement relate to a number of matters, including the following:

- Organization, Standing and Authority
- Capital Structures
- Subsidiaries
- Corporate Power
- Corporate Authority
- Regulatory Approvals
- No Conflict

- Financial Statements; Material Adverse Effect
- Legal Proceedings
- Regulatory Matters
- Compliance with Laws
- Material Contracts; Defaults
- No Brokers
- Employee Benefit Plans
- Labor Matters
- Environmental Matters
- Tax Matters
- Risk Management Instruments
- Loans; Nonperforming and Classified Assets
- Properties
- Intellectual Property
- Fiduciary Accounts
- Books and Records
- Insurance
- Allowance for Loan Losses
- Transactions with Affiliates
- Material Facts

The representations and warranties made by BC Bank and BayCom Corp in the Merger Agreement relate to a number of matters, including the following:

- Organization, Standing and Authority
- Capital Structure
- Subsidiaries
- Corporate Power
- Corporate Authority
- Regulatory Approvals
- No Conflict
- Financial Statements; Material Adverse Effect
- Legal Proceedings
- Regulatory Matters
- Compliance with Laws
- Material Contracts; Defaults
- No Brokers
- Employee Benefit Plans
- Labor Matters
- Environmental Matters
- Tax Matters
- Loans; Nonperforming and Classified Assets
- Properties
- Intellectual Property
- Fiduciary Accounts
- Books and Records
- Insurance
- Allowance for Loan Losses

- Transactions with Affiliates
- Material Facts

### **Business Pending the Merger**

Pursuant to the Merger Agreement, the parties have agreed, among other things, that until the earlier of the effective time of the Merger, or the termination of the Merger Agreement in accordance with its terms, or unless the parties to the Merger Agreement otherwise agree in writing or as may be required by applicable laws, each will conduct its business in the ordinary and usual course consistent with past practice and in compliance with all laws and prudent business and banking practices. In addition, the parties have agreed to forebear from the following without the prior written consent of the other parties:

- with respect to capital stock of First ULB and UB Bank, (i) issuing, selling or otherwise permitting to become outstanding, or authorizing the issuance of or creation of, any additional shares of stock or any Rights (as defined in the Merger Agreement) (other than the issuance of common stock upon exercise of stock options outstanding on the date of the Merger Agreement in accordance with their respective terms), (ii) adjusting, splitting, combining or reclassifying any capital stock, (iii) entering into any agreement, understanding or arrangement with respect to the sale or voting of common stock, or (iv) directly or indirectly redeeming, purchasing or otherwise acquiring any shares of capital stock or equity interests or any securities or obligations convertible (whether currently convertible or convertible only after the passage of time or the occurrence of certain events) into or exchangeable for any shares of capital stock or equity interests;
- with respect to capital stock of BayCom Corp and BC Bank, (i) issuing, selling or otherwise permitting to become outstanding, or authorizing the issuance of or creation of, any additional shares of stock or any Rights or permitting any shares of stock to become subject to grants of employee or director stock options or other Rights (other than the issuance of common stock upon exercise of stock options outstanding on the date of the Merger Agreement in accordance with their respective terms) other than shares of BC Bank common stock issued to BayCom Corp in the bank holding company reorganization, (ii) adjusting, splitting, combining or reclassifying any capital stock, (iii) entering into any agreement, understanding or arrangement with respect to the sale or voting of common stock other than shares of BC Bank issued to BayCom Corp in the bank holding company reorganization, or (iv) directly or indirectly redeeming, purchasing or otherwise acquiring any shares of capital stock or equity interests or any securities or obligations convertible (whether currently convertible or convertible only after the passage of time or the occurrence of certain events) into or exchangeable for any shares of capital stock or equity interests;
- making, declaring, paying or setting aside for payment any dividend on or in respect of, or declaring or making any distribution on, any shares of its capital stock, or with respect to BayCom Corp, redeem any shares of its capital stock;
- entering into, amending, renewing or accelerating the vesting or payment under, any employment, consulting, severance, change in control, bonus, salary continuation or other similar agreements, arrangements or benefit plans with any current or former director, officer or employee or granting any salary or wage increase or awarding any incentive or other bonus payment or increasing any employee benefit (including incentive or bonus payments) except as permitted pursuant to the terms of the Merger Agreement;
- hiring any person as an employee of or promoting any employee, except as permitted pursuant to the terms of the Merger Agreement;

- entering into, establishing, adopting, amending or terminating, or making any contributions to any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan, grant, award or arrangement, or any trust agreement related thereto, in respect of any current or former director, officer or employee or taking any action to accelerate the vesting or exercisability of any compensation or benefits payable thereunder, except as permitted pursuant to the terms of the Merger Agreement;
- selling, transferring, mortgaging, licensing, encumbering or otherwise disposing of or discontinuing any of its assets, rights, deposits, business or properties outside the ordinary course, except as permitted pursuant to the terms of the Merger Agreement;
- acquiring all or any portion of the assets, business, securities, deposits or properties of any other person, except as permitted pursuant to the terms of the Merger Agreement;
- making any capital expenditures other than capital expenditures in the ordinary course of business consistent with past practice in amounts not exceeding, with respect to UB Bank, \$25,000 individually or \$100,000 in the aggregate and, with respect to BC Bank, \$50,000 individually or \$100,000 in the aggregate;
- amending its articles or certificate of incorporation, bylaws or any other governing documents or entering into a plan of consolidation, merger, share exchange or reorganization with any person, or a letter of intent or agreement in principle with respect thereto, except as permitted pursuant to the terms of the Merger Agreement;
- implementing or adopting any change in its accounting principles, practices or methods, other than (i) as may be required by changes in laws or regulations or generally accepted accounting principles (ii) for tax purposes or (iii) to take advantage of any beneficial tax or accounting methods;
- entering into, canceling, failing to renew or terminate any Material Contract (as defined in the Merger Agreement), amending or modifying in any material respect any of its existing Material Contracts or real or personal property leases or waiving, releasing, relinquishing or assigning any Material Contract or real or personal property lease, except as permitted pursuant to the terms of the Merger Agreement;
- entering into any settlement or similar agreement with respect to any action, suit, proceeding, order or investigation to which it is or becomes a party after the date of the Merger Agreement, except as permitted pursuant to the terms of the Merger Agreement;
- entering into any new line of business; introducing any significant new products or services; changing its lending, investment, underwriting, pricing, servicing, risk and asset liability management and other material banking and operating policies, except as required by applicable law, regulation or policies imposed by any Governmental Authority, or the manner in which its investment securities or loan portfolio is classified or reported; or filing any application or entering into any contract with respect to the opening, relocation or closing of, or opening, relocating or closing any branch, office servicing center or other facility;
- introducing any marketing campaigns or any new sales compensation or incentive programs or arrangements;
- entering into any Derivatives Contract (as defined in the Merger Agreement);

- incurring indebtedness for borrowed money (other than deposits, escrow balances, federal funds purchased, cash management accounts, FHLB advances, in each case in the ordinary course of business consistent with past practice) or assuming, guaranteeing endorsing or otherwise assuming responsibility for the obligations of another person, except as permitted pursuant to the terms of the Merger Agreement;
- acquiring or otherwise investing in any (i) equity investment, or (ii) debt security other than in the ordinary course of business consistent with past practice, except as permitted pursuant to the terms of the Merger Agreement;
- with respect to loans, (i) making, renewing or otherwise modifying any loan, loan commitment, letter of credit or other extension of credit originated or to be originated in a manner that is inconsistent with its ordinary course of business or inconsistent with its lending policies and procedures in effect as of the date of the Merger Agreement, or in the case of a modification or renewal, would reduce the outstanding unpaid principal, interest; and other amounts owed under the loan prior to its modification or renewal, (ii) taking any action that would result in any discretionary release of collateral or guarantees or otherwise restructure the respective amounts set forth in clause (i) above; (iii) making or committing to make any loan to, or enter into any transaction with, any directors, officers, employees or any of its affiliates; or (iv) entering into any loan securitization or create any special purpose funding entity; and for any new loan to be originated or renewed in a principal amount such that the total loans outstanding to such borrower would be in excess of \$2,500,000 with respect to UB Bank and \$5,000,000 with respect to BC Bank, prior to committing to extend or renew such loan, to provide to the other party a copy of the Loan Package (as defined in the Merger Agreement), and provide the other party with two days' time from the party's receipt of the Loan Package to provide any comments with respect to the subject loan and to consider any comments made with respect to the subject loan;
- making any investment or commitment to invest in real estate or in any real estate development project, except as permitted pursuant to the terms of the Merger Agreement;
- knowingly taking or failing to take any action: (i) that is intended or may reasonably be expected to result in (A) any of its representations and warranties set forth in the Merger Agreement being or becoming untrue in any material respect at any time at or prior to the Effective Time or (B) any of the conditions to the transactions contemplated by the Merger Agreement not being satisfied or (ii) which would reasonably be expected to materially and adversely impair or delay consummation of the transactions contemplated thereunder beyond the time period contemplated by the Merger Agreement;
- making or changing any material tax election, settling or compromising any of its material tax liabilities, agreeing to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of its taxes, entering into any closing agreement with respect to any material amount of its taxes or surrendering any right to claim a material amount of its tax refund, adopting or changing any method of accounting with respect to its taxes, or filing any amended tax return; except as permitted pursuant to the terms of the Merger Agreement;
- taking any action (i) that would cause the Merger Agreement or the transactions contemplated thereby to be subject to the provisions of any state antitakeover law or state or territorial law that purports to limit or restrict business combinations or the ability to acquire or vote shares or (ii) to exempt or make not subject to the provisions of any antitakeover law or state law that purports to limit or restrict business combinations or the ability to acquire or vote shares, any person or any

action taken thereby, which person or action would have otherwise been subject to the restrictive provisions thereof and not exempt therefrom;

- entering into any transaction, commitment, arrangement or other activity with a related entity, affiliate or subsidiary, except in the ordinary course of business consistent with past practice or pursuant to the terms of the Merger Agreement;
- increasing the rate of interest paid on interest-bearing deposits or on certificates of deposit, except as permitted pursuant to the terms of the Merger Agreement; or
- entering into any contract with respect to, or otherwise agreeing, authorizing or committing to take, or publicly recommend, propose or announce an intention to take, any of the foregoing actions;

### **No Solicitation**

Under the terms of the Merger Agreement, First ULB and UB Bank have agreed that neither of them nor any of their respective directors, officers, employees, affiliates or other representatives shall, directly or indirectly (i) solicit, initiate, endorse, encourage or facilitate any inquiry, proposal or offer with respect to, or the making or completion of, any “Acquisition Proposal,” as defined below, (ii) enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any information or data with respect to, or otherwise cooperate in any way with, any Acquisition Proposal, (iii) approve, recommend, agree to or accept any Acquisition Proposal or (iv) resolve, propose or agree to do any of the foregoing. For purposes of the Merger Agreement, “Acquisition Proposal” means any inquiry, offer or proposal, whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to: (i) any transaction or series of transactions involving any merger, consolidation, recapitalization, share exchange, liquidation, dissolution or similar transaction involving First ULB or UB Bank; (ii) any transaction pursuant to which any third party or group acquires or would acquire, directly or indirectly, any assets of First ULB or UB Bank representing, in the aggregate, twenty-five percent (25%) or more of the assets of First ULB; (iii) any issuance, sale or other disposition of securities representing twenty-five percent (25%) or more of the votes attached to the outstanding securities of First ULB; (iv) any tender offer or exchange offer that, if consummated, would result in any third party or group beneficially owning twenty-five percent (25%) or more of any class of equity securities of First ULB or UB Bank; or (v) any transaction which is similar in form, substance or purpose to any of the foregoing transactions, or any combination of the foregoing.

Notwithstanding the foregoing, if at any time following the date of the Merger Agreement and prior to obtaining the approval of the shareholders of First ULB to the Merger, (1) First ULB or UB Bank receives a written Acquisition Proposal that the First ULB Board believes in good faith to be bona fide, (2) such Acquisition Proposal was unsolicited and (3) the First ULB Board determines in good faith that such Acquisition Proposal constitutes or is more likely than not to result in a “Superior Proposal,” as such term is defined in the Merger Agreement, and (4) the First ULB Board determines in good faith (and based on the advice of outside counsel) that the failure to furnish information with respect to First ULB to the person or entity making the Acquisition Proposal or to participate in discussions or negotiations with the person or entity making the Acquisition Proposal would constitute a breach of its fiduciary duties to the shareholders of First ULB under applicable law, then First ULB may furnish information with respect to First ULB to the person or entity making such Acquisition Proposal, and participate in discussions or negotiations with the person or entity making such Acquisition Proposal regarding such Acquisition Proposal.



Neither the First ULB Board nor any committee thereof shall: (i) withdraw its approval of the Merger or its recommendation to its shareholders to approve the Merger, (ii) cause or permit First ULB to enter into an agreement with respect to an Acquisition Proposal; or (iii) resolve, agree or propose to take any such actions. Notwithstanding the foregoing, in the event First ULB receives an unsolicited bona fide Acquisition Proposal and the First ULB Board concludes in good faith that such Acquisition Proposal constitutes or is more likely than not to result in a Superior Proposal, the First ULB Board shall nevertheless cause the First ULB shareholders meeting to be held, but may, to the extent that the First ULB Board concludes in good faith that failure to take such action would result in a violation of its fiduciary duties under applicable law, submit the Merger Agreement to its shareholders without recommendation in which event the First ULB Board may communicate the basis for its lack of a recommendation to the shareholders in this Joint Proxy Statement/Offering Circular or an appropriate amendment or supplement hereto to the extent required by law. During the five (5) business day period prior to its effecting a change in its approval of the Merger or its recommendation to its shareholders to approve the Merger, First ULB shall, and shall cause its financial and legal advisors to, negotiate with BayCom Corp in good faith (to the extent BayCom Corp seeks to negotiate) regarding any revisions to the terms of the transactions contemplated by the Merger Agreement proposed by BayCom Corp.

### **First ULB Shareholder Recommendation**

Pursuant to the Merger Agreement, unless the First ULB Board submits the Merger Agreement to its shareholders without recommendation as described above in “No Solicitation,” First ULB, through the First ULB Board, shall (i) recommend to the First ULB shareholders that they adopt the Merger Agreement and the transactions contemplated thereby, (ii) include such recommendation in this Joint Proxy Statement/Offering Circular and (iii) publicly reaffirm such recommendation within 24 hours after a request to do so by BayCom Corp or BC Bank.

### **Voting Agreements**

In connection with the execution of the Merger Agreement, each member of the Boards of Directors of First ULB and UB Bank, other than Nick Dyer entered into a Non-Competition and Voting Agreement in the form attached as Annex A to the Merger Agreement which is included as Appendix A hereto, (Mr. Dyer entered into a Voting Agreement only) pursuant to which, among other things, each agreed to vote all of his or her shares of First ULB common stock in favor of the Merger and the Merger Agreement. The shares subject to the First ULB Non-Competition and Voting Agreements and First ULB Voting Agreement comprise approximately 1.6% of the issued and outstanding shares of First ULB common stock.

In addition, in connection with the execution of the Merger Agreement, each member of the board of directors and each executive officer of BayCom Corp and BC Bank entered into a Voting Agreement in the form attached as Annex B to the Merger Agreement which is included as Appendix A hereto, pursuant to which, among other things, each agreed to vote all of his or her shares of BayCom Corp common stock in favor of the Merger and the Merger Agreement. The shares subject to the BayCom Corp Voting Agreements comprise approximately 9.7% of the issued and outstanding shares of BayCom Corp common stock.

### **Composition of Board of Directors of BayCom Corp After the Merger**

BayCom Corp has agreed to take all actions legally necessary to cause the number of directors that will comprise its full Board of Directors promptly after the Effective Time to be increased by two (2), which two (2) new vacancies will be filled by Malcolm Hotchkiss and Rocco Davis. If either of these two individuals do not accept the appointment to the BayCom Corp Board of Directors, then the vacancy shall

be filled from other members of the Board of Directors of First ULB or UB Bank, as chosen by BayCom Corp and BC Bank.

### **Transferability of BayCom Corp Common Stock Issued in the Merger**

*Fairness Hearing.* The shares of BayCom Corp common stock will be issued in reliance on an exemption from registration provided by Section 3(a)(10) of the Securities Act. The availability of the Section 3(a)(10) exemption is contingent upon the determination by an appropriate governmental authority, after a public hearing at which all interested parties are invited to attend, that the terms and conditions of the issuance of the BayCom Corp common stock in connection with the Merger are fair. On March 8, 2017, the DBO conducted a public hearing pursuant to Section 25142 of the Corporate Securities Law of 1968 concerning BayCom Corp's proposed issuance of common stock in the Merger and determined that the terms and conditions of the proposed issuance are fair, thereby satisfying the Section 3(a)(10) condition.

*Transferability of Shares.* The shares of BayCom Corp common stock issued in reliance on the exemption from registration provided by Section 3(a)(10) of the Securities Act will be freely tradable for purposes of the Securities Act, except for shares of BayCom Corp received by any such holder who is or becomes an "affiliate" of BayCom Corp after completion of the Merger.

### **Termination**

The Merger Agreement may be terminated at any time prior to the effective time of the Merger by the mutual consent of BayCom Corp, BC Bank, First ULB and UB Bank. The Merger Agreement may also be terminated:

- if the terminating party is not in material breach of any representation, warranty, covenant, or agreement contained in the Merger Agreement, by BayCom Corp and BC Bank, on the one hand, or First ULB and UB Bank, on the other hand, in the event of a breach by the other party or parties of any representation, warranty, covenant, or agreement contained in the Merger Agreement that (i) cannot be or has not been cured within thirty (30) business days after the giving of written notice to the breaching party or parties of such breach and (ii) would entitle the non-breaching party or parties not to consummate the Merger;
- by BayCom Corp and BC Bank, on the one hand, or First ULB and UB Bank, on the other hand, in the event that the approval of any governmental authority required for consummation of the transactions contemplated by the Merger Agreement has been denied by final non-appealable action of the governmental authority or an application for approval has been permanently withdrawn at the request of a governmental authority, or in the event that the approval of any governmental authority required for consummation of the transactions contemplated by the Merger Agreement will not be granted without the imposition of a burdensome regulatory condition, provided that no party or parties has the right to terminate the Merger Agreement if the denial is due to the failure of the party or parties seeking to terminate the Merger Agreement to perform or observe its covenants;
- by BayCom Corp or BC Bank if First ULB and UB Bank breach the covenants described under "—No Solicitation," above;
- by BayCom Corp or BC Bank, on the one hand, or First ULB and UB Bank, on the other hand, in the event that any material adverse change or matter exists or is identified that would reasonably be expected to result in a material adverse effect to such parties;

- by BayCom Corp and BC Bank, on the one hand, or First ULB and UB Bank, on the other hand, if the Merger has not been consummated by June 30, 2017, subject to certain provisos as provided in the Merger Agreement;
- by BayCom Corp, on the one hand, or First ULB, on the other hand, if the requisite shareholder approvals of the Merger have not been obtained;
- by BayCom Corp and BC Bank on the one hand, or First ULB or UB Bank, on the other hand, if any court of competent jurisdiction or other governmental entity shall have issued a judgment, order, injunction, rule or decree, or taken any other action or restraining, enjoining or otherwise prohibiting any of the transactions contemplated by the Merger Agreement, subject to the provisos provided in the Merger Agreement;
- by BayCom Corp or BC Bank if (i) First ULB submits the Merger Agreement to its shareholders without a recommendation for approval or otherwise withdraws or adversely modifies or qualifies its recommendation to shareholders; (ii) First ULB or the First ULB Board approves or recommends, or causes or permits First ULB to enter into, an alternative acquisition agreement relating to an Acquisition Proposal, (iii) First ULB fails publicly to reaffirm its recommendation of the Merger within five (5) business days after a request at any time to do so by BayCom Corp, or within five (5) business days after the date any Acquisition Proposal or any material modification thereto is first commenced, published or sent or given to the shareholders of First ULB; (iv) First ULB has breached any of its obligations with respect to non-solicitation with respect to its non-solicitation obligations or shareholder recommendation obligations under the Merger Agreement or (iv) First ULB or the First ULB Board shall formally resolve or publicly authorize or propose to take any of the foregoing actions; or
- by First ULB if the First ULB Board has adopted or indicated its intention to enter into a Superior Proposal, as defined in the Merger Agreement, after complying with its obligations with respect to a Superior Proposal in the Merger Agreement.

### **Termination Fees**

In the event the Merger Agreement is terminated (i) by BayCom Corp because First ULB breaches its covenants with respect to non-solicitation and shareholder recommendations contained in the Merger Agreement, (ii) by either BayCom Corp or First ULB for failure to obtain the approval of the shareholders of First ULB following First ULB breaching its covenants in the Merger Agreement with respect to shareholder recommendations, or (iii) by First ULB because of a Superior Proposal; then First ULB shall pay to BayCom Corp a termination fee of \$1,500,000 plus the reasonable out-of-pocket fees and expenses incurred by BayCom Corp and BC Bank with respect to the Merger up to a maximum of \$400,000.

In the event the Merger Agreement is terminated by BayCom Corp or BC Bank for breach of any representation, warranty, covenant, or agreement of First ULB or UB Bank contained in the Merger Agreement, or by First ULB and UB Bank for breach of any representation, warranty, covenant, or agreement of BayCom Corp or BC Bank contained in the Merger Agreement, then the breaching party shall reimburse the non-breaching party for all of its reasonable out-of-pocket fees and expenses incurred with respect to the Merger up to a maximum of \$400,000.

## **Expenses of the Merger**

Whether or not the Merger is consummated, all costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereunder shall be paid by the party incurring such expense, subject to the provisions with respect to termination fees in the Merger Agreement as described in “—Termination Fees” above.

**The Board of Directors of each of BayCom Corp and First ULB recommends a vote “FOR” Joint Proposal 1.**

## **UNAUDITED PROFORMA COMBINED FINANCIAL INFORMATION**

The following unaudited proforma combined financial information presents the impact of the proposed Merger on the historical financial condition and results of operations of BayCom Corp under the acquisition method of accounting.

Under the acquisition method of accounting, BayCom Corp records the assets and liabilities of First ULB at their fair values on the closing date of the Merger. The proforma information assumes that no shareholder of First ULB or BayCom Corp perfects dissenters’ rights.

The unaudited proforma combined Statement of Financial Condition as of December 31, 2016 has been prepared under the assumption that the Merger was completed on that date. The unaudited proforma combined Statement of Income for the year ended December 31, 2016 has been prepared under the assumption that the Merger was completed on January 1, 2016.

The unaudited proforma combined financial information is presented for illustrative purposes only, and does not indicate either the operating results or financial condition that would have occurred had the Merger been completed on January 1, 2016, or future results of operations or financial condition. The unaudited proforma combined financial information is based upon assumptions and adjustments that BayCom Corp believes are reasonable. The unaudited proforma combined financial information and the accompanying notes should be read in conjunction with First ULB’s and BC Bank’s financial statements included in Appendix E and Appendix F hereto, respectively.

Proforma Statement of Financial Condition

December 31, 2016

**Unaudited**

	<u>BC Bank</u>	<u>First ULB</u>	<u>Merger Entries</u>	<u>Combined</u>
		(dollars in thousands)		
<b>Assets</b>				
Cash and due from banks				
Non-interest bearing	\$ 5,666	\$ 8,368	\$ -	\$ 14,034
Interest bearing	123,018	88,764	(19,034) (a)	192,748
CD investments in other banks	1,529	2,736	-	4,265
Investment Securities	13,917	28,111	-	42,028
Federal Home Loan Bank stock, at par	2,511	2,130	-	4,641
Federal Reserve Bank stock, at par	1,411	-	-	1,411
Loans:				-
Mortgage loans, including loans held for sale	435,630	292,163	(2,835)	724,958
Commercial and consumer loans	72,409	24,515	(1,165)	95,759
Total gross loans	508,039	316,678	(4,000)	820,717
Allowance for loan losses	(3,775)	(3,194)	3,194	(3,775)
Loans, net	504,264	313,484	(806) (b)	816,942
Premises & equipment, net	1,106	7,774	-	8,880
Real estate owned	775	-	-	775
Cash surrender value of bank owned life insurance policies, net	6,470	6,379	-	12,849
Core deposit intangible	803	190	3,050 (c)	4,043
Goodwill	-	-	8,180 (d)	8,180
Accrued interest receivable and other assets	13,828	5,441	398 (e)	19,667
<b>Total Assets</b>	<u>\$ 675,298</u>	<u>\$ 463,377</u>	<u>\$ (8,213)</u>	<u>\$ 1,130,462</u>
<b>Liabilities &amp; Shareholders' Equity</b>				
Deposits:				
Non-interest bearing	\$ 128,697	\$ 159,163	\$ -	287,860
Interest bearing	462,062	257,837	-	719,899
Total deposits	590,759	417,000	-	1,007,759
Federal Home Loan Bank - advances	-	1,000	-	1,000
Long-term subordinated debenture	-	6,392	(639) (f)	5,753
Other borrowings	-	5,714	-	5,714
Salary continuation plan	3,156	1,793	-	4,949
Interest payable and other liabilities	3,320	1,928	5,000 (g)	10,248
Total liabilities	597,235	433,827	4,361	1,035,423
Shareholders' equity:				
Common stock	46,371	16,385	4,007 (h)	66,763
Retained earnings	31,604	13,040	(16,456) (j)	28,188
Unrealized gain - available-for-sale securities	88	125	(125) (i)	88
Total shareholders' equity	78,063	29,550	(12,574)	95,039
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 675,298</u>	<u>\$ 463,377</u>	<u>\$ (8,213)</u>	<u>\$ 1,130,462</u>

Proforma Statement of Income  
For the year ended December 31, 2016  
**Unaudited**

	<u>BC Bank</u>	<u>First ULB</u>	<u>Merger Entries</u>	<u>Combined</u>
	(dollars in thousands, except per share data)			
Interest income:				
Loan interest, including fees	\$ 28,394	\$ 14,681	\$ -	\$ 43,075
Investment income	1,231	1,373	(95) (a)	2,509
Total interest income	<u>29,625</u>	<u>16,054</u>	<u>(95)</u>	<u>45,584</u>
Interest expense:				
Deposit interest expense	3,074	206	-	3,280
Non-deposit interest expense	-	575	38 (f)	613
Total interest expense	<u>3,074</u>	<u>781</u>	<u>38</u>	<u>3,893</u>
Net interest income before provision	26,551	15,273	(133)	41,691
Provision (reversal) for loan and lease losses	598	(340)	-	258
Net interest income after provision	<u>25,953</u>	<u>15,613</u>	<u>(133)</u>	<u>41,433</u>
Non-interest income:				
Fees and service charges on deposit accounts	939	137	-	1,076
Gain on sale of SBA loans	-	1,359	-	1,359
Other income	420	1,463	-	1,883
Total non-interest income	<u>1,359</u>	<u>2,959</u>	<u>-</u>	<u>4,318</u>
Non-interest expense:				
Salaries and benefits	10,611	8,051	-	18,662
Occupancy and equipment expenses	2,147	1,201	-	3,348
Data processing	1,386	1,091	-	2,477
Other	2,422	3,380	-	5,802
Amortization of core deposit intangible	398	50	305 (c)	753
Total non-interest expense	<u>16,964</u>	<u>13,773</u>	<u>305</u>	<u>31,042</u>
Income before tax provision	10,348	4,799	(438)	14,709
Provision for income taxes	4,436	1,987	(180)	6,243
Net income	<u>\$ 5,912</u>	<u>\$ 2,812</u>	<u>\$ (258)</u>	<u>\$ 8,466</u>
Weighted Avg. common shares outstanding - Basic	5,392,597	1,409,938	1,372,293	6,764,890
Weighted Avg. common shares outstanding - Diluted	5,433,719	1,409,938		6,806,012
Earnings per share - Basic	\$ 1.10	\$ 1.99		\$ 1.25
Earnings per share -Diluted	\$ 1.09	\$ 1.99		\$ 1.24

Notes to the unaudited Proforma combined information:

Values are estimated and subject to change.

	Price	Shares	Purchase price
Cash	\$ 13.50	1,409,938	\$ 19,034 (a)
Stock	14.86	1,372,293	20,392
Total	<u>\$ 28.36</u>		<u>\$ 39,426</u>
	<u>Shares</u>	<u>Ratio</u>	<u>Shares issued</u>
Shares	1,409,938	0.9733	1,372,293
Market value of stock 12/31/16			\$ 14.86
Common stock issued (\$ in thousands)			\$ 20,392 (h)

- (a) Proforma interest income declines as due to the disbursement of the cash portion of the purchase price.  
 (b) Estimated mark-to-market on the loan portfolio.  
 (c) Estimated fair value of the core deposit intangible, amortized straightline over ten years.  
 (d) Goodwill resulting from the estimated value of the merger in excess of the net value of the assets received.

Book value of net assets acquired	\$ 29,550
Fair value adjustments:	
Loans (mark-to-market less existing ALLL)	(806)
Core deposit intangible	3,050
Trust Preferred	639
Total market value adjustments	<u>2,883</u>
Tax effect of market value adjustments	<u>(1,186)</u>
Fair value of assets, net of liabilities acquired	31,247
Common stock issued	20,392
Cash paid	19,034
Total price paid	<u>39,426</u>
Goodwill	<u>\$ 8,180</u>

- (e) Net tax effect of the merger accounting entries.

Estimated merger and integration expenses	\$ (1,186)
Tax effect of expenses	1,584
Net tax effect	<u>\$ 398</u>

- (f) Estimated mark-to-market of the value of the Trust Preferred obligation.

Proforma interest expenses increases due to the accretion of the mark-to-market of the Trust Preferred obligation.

- (g) Estimated expenses of the merger and integration costs.

Expenses, including nondeductible expenses	\$ 5,000
Tax effect	(1,584)
Net	<u>\$ 3,416</u>

Statutory combined effective tax rate of 41.15% on deductible expenses.

- (h) Change in stock outstanding

Stock issued - new	\$ 20,392
First ULB Stock exchanged	(16,385)
Net change in stock	<u>\$ 4,007</u>

- (i) Elimination of the carrying value of First ULB equity accounts.

- (j) Change in retained earnings

Eliminate First ULB Retained earnings	\$ (13,040)
Estimated expenses, net	(3,416) (g)
Net	<u>\$ (16,456)</u>

## **DESCRIPTION OF FIRST ULB**

### **Business**

First ULB was incorporated on October 17, 1990 and is a California corporation and registered savings and loan holding company. First ULB owns all of the issued and outstanding capital stock of UB Bank. First ULB's main office is located at 100 Hegenberger Road, Suite 220, Oakland, California 94621. See Management's Discussion and Analysis—General" for information regarding First ULB's assets.

First ULB owns one property for investment and does not lease any property, but instead uses the premises, equipment and furniture of UB Bank.

## **DESCRIPTION OF UNITED BUSINESS BANK**

### **Business**

UB Bank is a federal savings bank and commenced operations on May 4, 1990 as United Labor Bank. On December 5, 2014, First ULB announced that United Labor Bank changed its name to United Business Bank. UB Bank has its corporate headquarters in Oakland, California and operates nine full-service banking offices in Albuquerque, New Mexico, and Long Beach, Oakland, Sacramento, San Francisco, San Jose and Glendale California, and Seattle, Washington. As of December 31, 2016, UB Bank had \$463.4 million in total assets, \$417.0 million in total deposits and \$316.7 million in total loans.

UB Bank's deposits are insured to the fullest extent allowable by the FDIC. UB Bank is a nationally chartered federal savings bank that engages in general commercial banking activities with a concentration in trade unions, small to medium sized businesses and non-profit organizations through our branch network throughout California, Seattle, Washington and Albuquerque, New Mexico.

UB Bank offers a wide variety of both interest bearing and non-interest bearing transactional accounts for both businesses and individuals. In addition to providing access to deposit accounts via Online (Internet) Banking, UB Bank also provides courier service throughout its branch network so that customers' deposit and other banking needs may be served without the customer having to make a trip to the branch. UB Bank also offers savings accounts, money market deposit accounts and certificates of deposits for businesses and individuals.

For trade unions and business customers, UB Bank offers an array of cash management products, which can be customized to meet specific customer requirements. Cash management products are accessible via the Internet.

To compete with larger financial institutions in its service area, UB Bank relies upon specialized services, responsive handling of customer needs, local promotional activity, and personal contacts by its officers, directors and staff, compared to large multi-branch banks that compete primarily on interest rates and location of branches.

UB Bank offers a full range of lending products, including commercial real estate secured loans, multi-family residential real estate loans, commercial term loans, and a small amount of single family residential loans and consumers loans. The lending activities are primarily located within UB Bank's various service areas in California, Seattle Washington and Albuquerque New Mexico.



## **Premises**

UB Bank's headquarters are located at 100 Hegenberger Road Oakland, California 94621. UB Bank owns its headquarters building and occupies approximately 21,800 square feet with the remaining office space leased to various businesses. As noted, UB Bank operates nine full-service banking offices in Albuquerque, New Mexico, and Long Beach, Oakland, Sacramento, San Francisco, San Jose and Glendale California, and Seattle, Washington. UB Bank owns the office property on which the branches in Oakland, and Albuquerque operate. UB Bank leases the remaining branch locations.

Management believes that UB Bank's present facilities are in good physical condition and are adequately covered by insurance. Certain of the leases noted above contain options to extend the term of the lease.

## **Employees**

As of December 31, 2016, UB Bank had 68 full-time equivalent employees.

## **Market Area**

UB Bank is headquartered in Oakland with branch offices in Albuquerque, New Mexico, and Long Beach, Oakland, Sacramento, San Francisco, San Jose and Glendale, California, and Seattle, Washington. Its market area in California encompasses Alameda, San Francisco, Santa Clara, Sacramento, and Los Angeles Counties. UB Bank's officers have many years of experience in dealing with the trade unions, businesses and professional service providers in its market area. This area has significant diversification and geographic concentration of the desired businesses.

## **Competition**

The banking and financial services business in California generally, and specifically, in the markets served by UB Bank, is highly competitive. The increasingly competitive environment is a result of many factors including, but not limited to:

- significant consolidation among financial institutions which has occurred over the past several years resulting in a number of substantially larger competitors with greater resources than UB Bank;
- increasing integration among commercial banks, insurance companies, securities brokers and investment banks; and
- more robust online banking products and services with greater abilities to market to wider ranges of customers.

In order to compete with other financial service providers, UB Bank relies upon:

- involvement in the labor union community;
- personal service and the resulting personal relationships of staff and customers;
- referrals from directors, employees and satisfied customers;
- fast decision making; and
- the branch network in major metropolitan areas in the states in which UB Bank operates.

## **Legal Proceedings**

Neither First ULB nor UB Bank is a defendant in any pending material legal proceedings and no such proceedings are known to be contemplated.

## Securities Authorized for Issuance Under Equity Compensation Plan

Neither First ULB nor UB Bank currently has in place any stock option plan or any other plan or agreement providing for equity compensation to any person.

### Directors

The following table sets forth certain information regarding the current directors of First ULB and UB Bank.

<u>Name and Title Other than Director</u>	<u>Age</u>	<u>Year First Appointed Director</u>	<u>Principal Occupation During the Past Five Years</u>
Nicholas Dyer	59	2015	President, CEO and Director, UB Bank.
Michael Creed	69	2009	Retired CPA and former CFO for UB Bank. Director of UB Bank.
Malcolm F. Hotchkiss Chairman, President/CEO	68	1994	Director, UB Bank and Chairman, CEO and President, First ULB.
Kathleen L. Kellogg	63	2014	Director UB Bank. Director Mission Valley Bancorp.
William S. Smith	64	2000	General Counsel of Sand Canyon Corporation. Director of UB Bank and First ULB.
Steven Spector	56	2006	Certified Public Accountant. Director of UB Bank.
Terence Street	61	1997	General Contractor. Director Bank of Commerce Holdings. Director Bank of Rio Vista. Chairman of UB Bank and director of First ULB.
Mark Furman	70	2014	Retired. Collective bargaining consultant for the Southwest Regional Council of Carpenters. Director of First ULB.
Kelly Wong	58	2014	Former President and CFO First ULB Former CFO UB Bank. Director Golden Pacific Bank. Director of First ULB.
Rocco Davis	57	2014	Vice President of LIUNA and serves on its General Executive Board. LIUNA's Pacific Southwest Regional Manager which covers the states of Arizona, California, Hawaii, New Mexico and 10 counties in West Texas. Director of First ULB.

### Compensation of Directors

First ULB's outside directors that are not also directors of UB Bank, are each paid a retainer totaling \$500 per fiscal quarter as compensation for attending quarterly board meetings. UB Bank's outside directors are each paid a retainer totaling \$30,000 annually, paid out in monthly increments. In addition, the Chairman of each of the UB Bank Board of Directors, Audit Committee and Loan Committee receives an additional

\$6,000 annually, paid out in monthly increments for his or her role as chairman of such committee(s) or UB Bank.

### **Executive Officers**

The following table sets forth certain information concerning executive officers of First ULB and UB Bank.

<u>Name</u>	<u>Age</u>	<u>Position and Principal Occupation For the Past Five Years</u>
Malcolm F. Hotchkiss, Chairman, President/CEO	68	Chairman, President/CEO of First ULB; Director, UB Bank.
Nicholas Dyer	59	President and CEO, UB Bank since 2015. Director of UB Bank since 2015. Corporate Secretary of UB Bank since 2015 Former OCC regulator.
Jeanette E. Reynolds	56	Chief Financial Officer and Corporate Secretary of First ULB since January 2016. Executive Vice President and Chief Financial Officer of UB Bank since April 2014. Executive Vice President and Chief Financial Officer, Bank of Alameda from 1998 until the bank was sold in 2013.
Mary Therese (Terry) Curley	59	Executive Vice President and Chief Credit Officer, UB Bank since October 2010.
Edward Perez	40	Executive Vice President and Chief Operating Officer, UB Bank since October 2010.

None of the executive officers were selected pursuant to any arrangement or understanding other than with the directors and executive officers of First ULB or UB Bank acting within their capacities as such. There are no family relationships between any of the directors and executive officers of First ULB or UB Bank. There are no material proceedings to which any executive officer of First ULB or UB Bank or any associate of any executive officer of First ULB or UB Bank is a party or has an interest materially adverse to First ULB or UB Bank.

### **Security Ownership of Certain Beneficial Owners and Management of First ULB**

The following table sets forth, as of December 31, 2016, the number of shares and percentage of the outstanding First ULB common stock owned by each of First ULB's and UB Bank directors and executive officers, by all executive officers and directors as a group, and by all other persons known by First ULB to own 5% or more of the issued and outstanding shares of common stock of First ULB.

<u>Name and Address<sup>(1)</sup></u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
<b><u>Directors</u></b>		
Nicholas Dyer	750	0.05%
Michael Creed	100	-
Malcolm F. Hotchkiss	5,084	0.36%
Kathleen L. Kellogg	750	0.05%
William S. Smith	5,000	0.35%
Steven Spector	2,000	0.14%
Terence Street	8,083	0.57%
Mark Furman	-	-
Kelly Wong	1,271	0.09%
Rocco Davis	--	--
<b><u>Non-Director Executive Officers</u></b>		
Jeanette E. Reynolds	--	--
Mary Therese (Terry) Curley	--	--
Edward Perez	--	--
<b>All Executive Officers and Directors as a Group (13 persons)</b>	<b>23,038</b>	<b>1.63%</b>
<b><u>Principal Shareholders</u></b>		
Carpenter Pension Trust For Northern California	140,800	9.99%
District Council Laborers	123,651	8.77%
Laborers Union Local No 270	114,070	8.09%
Laborers Local Union No 304	102,216	7.25%
District Council of Iron Workers of the State of California	100,000	7.09%
Southwest Regional Council of Carpenters New Mexico Retirement Trust Fund	76,775	5.45%
Laborers Local Union No. 185	72,729	5.16%

(1) Address for all directors and executive officers is c/o First ULB, 100 Hegenberger Road, Suite 220, Oakland, California 94621.

(2) Shares are deemed to be beneficially owned by a person if he or she directly or indirectly has or shares (1) voting power, which includes the power to vote or to direct the voting of the shares, or (2) investment power, which includes the power to dispose or to direct the disposition of the shares. Amounts shown may include shares held by or with such person's spouse and minor children, shares held by any other relative of such person who has the same home, shares held by a family trust as to which such person is a trustee with sole voting and investment power (or shares power with a spouse), shares held in street name for the benefit of such person or shares held in an Individual Retirement Account or pension plan as to which such person has pass-through voting rights and investment power.

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

In 2016, First ULB changed its fiscal year end from September 30 to December 31. Accordingly, the consolidated statements of income for the fifteen month period ended December 31, 2016 are not reflective of a single year of operations of First ULB Corp.

### **Selected Financial Data For First ULB**

The following table presents selected historical financial information, including share and per share information as described below for First ULB. The selected financial and other data as of and for the fifteen month period ended December 31, 2016 and the twelve months ended September 30, 2015 is derived in part from the audited financial statements of First ULB included in Appendix E hereto.

(Dollars in thousands, except share and per share data, unaudited)	For the fifteen months ended December 31, 2016	For the twelve months ended September 30, 2015
<b>Income Statement:</b>		
Interest income	\$19,735	\$13,667
Interest expense	977	781
Net interest income before (reversal)/provision for loan losses	18,758	12,886
(Reversal)/provision for loan losses	(300)	1,035
Net interest income after (reversal)/ provision for loan losses	19,058	11,851
Non-interest income	3,816	2,553
Non-interest expense	17,003	14,192
Income before provision (benefit) for income taxes	5,871	212
Provision/(benefit) for income taxes	2,410	(41)
Net income	\$3,461	\$253
<b>Share Data:</b>		
Basic and diluted earnings per share	\$2.45	\$0.17
Weighted average common shares outstanding:	1,409,938	1,447,603
<b>Ratios:</b>		
Return on average equity <sup>1</sup>	9.81%	0.95%
Return on average assets <sup>2</sup>	0.65%	0.07%
Net interest margin <sup>3</sup>	3.80%	3.70%
Efficiency ratio <sup>4</sup>	75.32%	91.92%
Loan to deposit ratio at period end	75.94%	70.46%
Net (recoveries) charge-offs to average total loans (annualized in 2016)	(0.09%)	1.08%

(Dollars in thousands, except share and per share data, unaudited)	As of December 31, 2016	As of September 30, 2015
<b>Balance Sheet:</b>		
Total assets	\$463,377	\$387,125
Interest-bearing deposits due from banks and investment securities	119,611	107,964
Loans held for sale	2,438	3,677
Loans, net	311,047	238,089
Total deposits	417,000	342,390
Total shareholders' equity	29,550	26,381
<b>Capital Ratios (UB Bank):</b>		
UB Bank – Total capital to risk weighted assets	14.31%	15.30%
UB Bank -Tier 1 core capital to risk weighted assets	13.24%	14.05%
UB Bank – Common equity Tier 1 capital to risk-weighted assets	13.24%	14.05%
UB Bank – Tier 1 core capital to adjusted average assets (leverage ratio)	8.68%	9.03%
<b>Asset Quality Ratios:</b>		
Nonperforming loans to total loans <sup>5</sup>	0.68%	0.86%
Nonperforming assets to total loans and other real estate owned <sup>6</sup>	0.68%	0.86%
Allowance for loan losses to total loans at period end	1.02%	1.32%
Allowance for loan losses to nonperforming loans	NM	151.38%

<sup>1</sup> Net income divided by average shareholders' equity (annualized in 2016).

<sup>2</sup> Net income divided by average total assets (annualized in 2016).

<sup>3</sup> Represents net interest income as a percentage of average interest-earning assets (annualized in 2016).

<sup>4</sup> Represents the ratio of non-interest expense to the sum of net interest income before provision for loan losses and total non-interest income excluding securities gains and losses.

<sup>5</sup> Nonperforming loans consist of nonaccrual loans, loans past due 90 days or more and restructured loans with performance history of less than 12 months.

<sup>6</sup> Nonperforming assets consist of nonperforming loans (see footnote above) and other real estate owned.

## **Management's Discussion and Analysis**

This discussion presents management's analysis of the results of operations of First ULB for the fifteen month period ended December 31, 2016 and the twelve month period ended September 30, 2015. The discussion also presents management's analysis of the financial condition of First ULB as of December 31, 2016 and September 30, 2015. These discussions are designed to provide shareholders with a more comprehensive review of the operating results and financial position than could be obtained from an examination of the financial statements alone. The discussion should be read in conjunction with the financial statements of First ULB and the notes related thereto which appear elsewhere in this Joint Proxy Statement/Offering Circular.

### **General**

As of December 31, 2016, First ULB had total assets of \$463.4 million, total loans of \$313.4 million (net of allowance for loan losses of \$3.2 million), total deposits of \$417.0 million and total shareholders' equity of \$29.5 million. As of September 30, 2015, First ULB had total assets of \$387.1 million, total loans of \$241.8 million (net of allowance for loan losses of \$3.2 million), total deposits of \$342.4 million and total shareholders' equity of \$26.4 million.

The general areas in which First ULB has directed its lending activities are: (i) commercial real estate; (ii) multi-family residential real estate; (iii) commercial and industrial loans; and (iv) residential real estate loans. As of December 31, 2016, these four categories accounted for, approximately 52%, 22%, 8% and 18%, respectively, of First ULB's loan portfolio. As of September 30, 2015, these four categories accounted for approximately 55%, 28%, 9%, and 7%, respectively.

First ULB's deposits are attracted primarily from unions and commercial enterprises.

As of December 31, 2016, First ULB had approximately \$159.2 million in non-interest bearing demand deposits, \$241.3 million in interest-bearing demand deposits, savings and money market, and \$16.5 million in time deposits. As of September 30, 2015, First ULB had approximately \$158.2 million in non-interest bearing demand deposits, \$163.2 million in interest-bearing demand deposits, savings and money market, and \$21.0 million in time deposits.

The principal sources of First ULB's income are (i) interest and fees from the loan portfolio, (ii) account service charges and fees, (iii) interest income on investments, and (iv) other non-interest income including gains on sale of loans. For the fifteen month period ended December 31, 2016, these sources comprised approximately 77%, 1%, 7% and 15%, respectively, of First ULB's total income. For the twelve months ended September 30, 2015, these sources comprised approximately 78%, 1%, 6% and 15%, respectively, of First ULB's total income for the period.

### **Critical Accounting Policies**

First ULB's financial statements are prepared in accordance with accounting principles generally accepted in the United States. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, management has identified its most significant accounting policy to be that related to the allowance for loan losses. First ULB's allowance for loan loss methodologies incorporate a variety of risk considerations, both quantitative and qualitative, in establishing an allowance for loan loss that management believes is appropriate at each reporting date. Although management believes the level of the allowance as of December 31, 2016 and September 30, 2015, is adequate to absorb losses inherent in the loan portfolio, a decline in the local economy or other adverse factors may result in increasing losses that cannot reasonably be predicted at this time. See the portion of

this Management's Discussion and Analysis section entitled "Financial Condition – Allowance for Loan Losses."

## **Results of Operations**

### **Net Interest Income**

First ULB's earnings depend largely upon its net interest income, which is the difference between the income received from its loan portfolio and other interest-earning assets and the interest paid on deposits and other interest-bearing liabilities. First ULB's net interest income is affected by the change in the level and the mix of interest-earning assets and interest-bearing liabilities, referred to as volume changes. First ULB's net interest income is also affected by changes in the yields earned on assets and rates paid on liabilities, referred to as rate changes. Interest rates charged on First ULB's loans are affected principally by the demand for such loans, the supply of money available for lending purposes and competitive factors. Those factors are, in turn, affected by general economic conditions and other factors beyond First ULB's control, such as federal economic policies, the general supply of money in the economy, legislative tax policies, governmental budgetary matters and the actions of the FRB. Interest rates on deposits are affected primarily by rates paid by competitors.

Net interest income was \$18.8 million for the fifteen months ended December 31, 2016. Net interest income for the twelve months ended September 30, 2015 was \$12.9 million. Increases in average earnings assets, partially offset by lower yields on loans were the primary reason for the increase in net interest income in each of the periods presented. Also included in net interest income for the fifteen month period ended December 31, 2016 was interest income collected from the full payoff of two non-performing loans in the amount of \$475,000 and interest income recognized from the acceleration of discounts from called securities in the amount of \$320,000. There were no such loan recoveries or accelerated discounts from called securities in 2015. For the fifteen months ended December 31, 2016 total interest expense for First ULB was \$977,000. Total interest expense for the twelve months ended September 30, 2015 was \$782,000. For the fifteen months ended December 31, 2016 First ULB's average rate paid on interest-bearing liabilities on an annualized basis was 0.33%, compared to 0.40% for the twelve months ended September 30, 2015. The increase in interest expense in 2016 compared to 2015 is substantially related to the fifteen month reporting period in 2016 compared to twelve months in 2015.

### **Net Interest Margin**

Net interest income, when expressed as a percentage of total average interest-earning assets, is referred to as the net interest margin. The net interest margin for the fifteen month period ended December 31, 2016, on an annualized bases was 3.80%. For the twelve months ended September 30, 2015, the net interest margin was 3.70%. As discussed previously, First ULB collected interest income in the amount of \$475,000 related to the full payoff of two non-performing loans during 2016 and accelerated discounts on called securities in the amount of \$320,000. Excluding these amounts the net interest margin for the period would have been approximately 3.64% on an annualized basis. Due to the pending merger with BC Bank and concern over interest rate risk, First ULB may maintain higher than normal balances at the FRB and other correspondent banks which provide lower yields than may be received in the loans or other investment options.

The following table shows First ULB's average balances of assets, liabilities and shareholders' equity; the amount of interest income and interest expense; the average yield or rate for each category of interest-earning assets and interest-bearing liabilities; and the net interest spread and the net interest margin for the periods indicated. For the fifteen month period ended December 31, 2016 the yields and rates have been adjusted to present the yields and rates on an annualized basis:

(in thousands, unaudited)	Distribution, Yield, and Rate Analysis of Net Interest Income			Distribution, Yield, and Rate Analysis of Net Interest Income		
	Fifteen months ended			Twelve months ended		
	December 31, 2016			September 30, 2015		
	Average Balance	Interest Income / Expense	Annualized Yield / Rate	Average Balance	Interest Income / Expense	Annualized Yield / Rate
<b>Assets</b>						
Interest-bearing due from banks	\$88,411	\$501	0.45%	\$86,766	\$247	0.28%
Investment securities	32,184	1,127	2.80%	29,512	718	2.43%
Loans <sup>(2)</sup>	273,960	18,107	5.29%	231,963	12,703	5.48%
<b>Total interest-earning assets</b>	<b>394,556</b>	<b>19,735</b>	<b>4.00%</b>	<b>348,241</b>	<b>13,668</b>	<b>3.92%</b>
Cash and non-interest-bearing due from banks	13,003			12,195		
Bank premises and equipment, net	7,950			8,305		
Interest receivable and other assets, net	13,501			10,744		
<b>Total assets</b>	<b>\$429,010</b>	<b>\$19,735</b>		<b>\$379,485</b>	<b>\$13,668</b>	
<b>Liabilities and Shareholders' Equity</b>						
Interest-bearing transaction accounts	\$82,263	\$47	0.05%	\$54,199	\$23	0.04%
Savings accounts	24,840	18	0.06%	23,124	14	0.06%
Money market accounts	95,349	129	0.11%	77,669	101	0.13%
CDARS and other time accounts	17,815	68	0.31%	24,361	89	0.37%
FHLB borrowings and other borrowings <sup>1</sup>	8,168	461	4.52%	8,587	375	4.37%
Subordinated debentures	6,392	254	3.18%	6,392	180	2.82%
<b>Total interest-bearing liabilities</b>	<b>234,827</b>	<b>977</b>	<b>0.33%</b>	<b>194,332</b>	<b>782</b>	<b>0.40%</b>
Non-interest bearing demand deposits	160,750			154,959		
Interest payable and other liabilities	5,219			3,618		
Shareholders' equity	28,214			26,576		
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$429,010</b>	<b>\$977</b>		<b>\$379,485</b>	<b>\$782</b>	
Net interest income and margin <sup>1</sup>		\$18,758	3.80%		\$12,886	3.70%
Net interest rate spread			3.67%			3.52%

<sup>(1)</sup> Yields on available-for-sale securities are calculated based on amortized cost balances rather than fair value, as changes in fair value are reflected as a component of stockers' equity. Investment security interest is earned on 30/360 basis monthly.

<sup>(2)</sup> Average balances on loans outstanding include nonaccrual loans. The amortized portion of net loan origination fees is included in interest income loans, representing an adjustment to the yield.



The following table sets forth, for the periods indicated, the dollar amount of changes in interest earned and paid for interest-earning assets and interest-bearing liabilities and the amount of change attributable to changes in average daily balances (volume) or changes in interest rates (rate). The variances attributable to both the volume and rate changes have been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amount of the changes in each. The fifteen month period ended December 31, 2016 compared to the twelve month period ended September 30, 2015 includes the effect of the additional three months of reported income in the 2016 period compared to 2015 and is reported on a pro- rata basis under the column heading “term”:

#### Analysis of Changes in Net Interest Income

(in thousands, unaudited)	2016 compared to 2015			
	Volume	Yield/ Rate	Term	Total
Assets				
Interest-bearing due from banks	\$ 5	\$149	\$100	\$254
Investment securities	69	115	225	409
Loans	2,233	(451)	3,622	5,404
Total interest-earning assets	2,307	(187)	3,947	6,067
Liabilities				
Interest-bearing transaction accounts	13	2	9	24
Savings accounts	1	(1)	4	4
Money market accounts	21	(18)	25	28
CDARS® & other time deposits	(21)	(13)	13	(21)
FHLB borrowings and other borrowings	(19)	12	93	86
Subordinated debentures	-	23	51	74
Total interest-bearing liabilities	(5)	5	195	195
Net interest income	\$2,312	\$(192)	\$3,752	\$5,872

#### Provision for Loan Losses

Credit risk is inherent in the business of making loans. First ULB sets aside an allowance for loan losses through charges to net income. The charges are shown on the income statements as provisions for loan losses, and specifically identifiable and quantifiable losses are immediately charged off against the allowance. The periodic loan loss provision expense is a reflection of the needed balance in the allowance for loan losses. The procedures for monitoring the adequacy of the allowance, as well as detailed information concerning the allowance itself, are included later in this discussion under “Allowance for Loan Losses.”

First ULB determined that there was an excess amount in the allowance for loan losses during the fifteen month period ended December 31, 2016 and reversed \$300,000 from the allowance with an offsetting credit to the provision for loan losses. The excess allowance was primarily attributable to a loan recovery in the amount of \$638,000 from a fully paid off impaired loan. For the twelve months ended September 30, 2015, First ULB provided \$1.0 million in loan loss provisions. The provision in 2015 was primarily related to a commercial impaired loan with a full charge-off taken in September of 2015.

## Non-interest Income

First ULB generates non-interest income primarily from service fees on deposit accounts, gains on sale of loans and other service charges and fees. The following table summarizes the components of non-interest income for the fifteen month period ended December 31, 2016 and the twelve months ended September 30, 2015:

(in thousands, unaudited)	<u>2016</u>	<u>2015</u>
Service charge income	\$ 171	\$ 134
Gains on sale of loans	1,871	1,245
(Loss) gain on sale of investment securities, net	-	(16)
Earnings on bank-owned life insurance	195	163
Other income	1,579	1,027
Total non-interest income	<u>\$3,816</u>	<u>\$2,553</u>

Non-interest income for the fifteen months ended December 31, 2016 was \$3.8 million. A substantial amount of First ULB non-interest income is generated by sales in the secondary market of the guaranteed portion of SBA loans and the servicing fee income generated from the servicing of the sold loans. For the fifteen month period ended December 31, 2016 the net gains on sales of SBA loans was \$1.9 million and the net servicing fee income received from serviced loans was \$574,000.

## Non-interest Expense

The following table the components of non-interest expense for the fifteen months ended December 31, 2016 and twelve months ended September 30, 2015:

(in thousands, unaudited)	<u>2016</u>	<u>2015</u>
Salaries and related benefits	\$10,022	\$8,244
Occupancy and equipment	1,501	1,151
Regulatory assessments	496	374
Data processing	1,371	1,103
Professional services	869	687
Impairment of real estate held for investment	170	455
Other expense	2,574	2,178
Total non-interest expense	<u>\$17,003</u>	<u>\$14,192</u>

Salaries and related benefits, the largest component of First ULB's non-interest expense, was \$10.0 million for the fifteen month period ended December 31, 2016. In May 2016, the holding company reorganized which reduced salary and related expenses by approximately \$352,000. Additionally, in 2016 First ULB implemented a cost sharing arrangement of dependent medical benefits with its staff subject to certain limitations. Included in 2016 was additional bonus pay of approximately \$280,000 related to exceeding income projections for the fifteen month period. Total full-time equivalent staff at December 31, 2016 was 68, compared to 64 at September 30, 2015.

During 2016 First ULB relocated two of its branches to new locations within the same territory. The expenses associated with increased rents and relocation costs attributed to the 2016 increase.

First ULB carries property that is classified as real estate held for investment which was placed into service in 2014. At December 31, 2016 it was determined that the market value of the property was less than the current carrying cost and management recorded an impairment charge of \$170,000 for the fifteen month period ended December 31, 2016. For the twelve months ended September 30, 2015 the impairment charge recorded was \$455,000.

### **Provision for Income Taxes**

The provision for income taxes for the fifteen months ended December 31, 2016 was \$2.4 million, equaling an effective tax rate of 41.0% during this period. There are no tax years under review by tax authorities.

For the twelve month period ended September 30, 2015, First ULB recorded a tax benefit of \$41,000. The tax benefit arose primarily from tax-exempt income exceeding taxable income for the period.

### **Market Risk/Interest Rate Risk Management**

Market risk is the risk of loss from adverse changes in market prices and rates. First ULB's market risk arises primarily from interest rate risk inherent in its lending, investment and deposit taking activities. First ULB's profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact First ULB's earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis. To that end, management actively monitors and manages its interest rate risk exposure.

Asset and liability management is concerned with the timing and magnitude of the repricing of assets and liabilities. It is the objective of First ULB to control risks associated with interest rate movements. In general, management's strategy is to match asset and liability balances within maturity categories to limit First ULB's exposure to earnings variations and variations in the value of assets and liabilities as interest rates change over time.

First ULB manages its exposure to interest rate changes through the utilization of a simulation model which provides reports covering a variety of rate change scenarios. The reports are generated on a quarterly basis and reported to UB Bank's ALCO Committee and Board of Directors. As of December 31, 2016, First ULB reported an asset sensitive balance sheet, which means that in a rising interest rate environment net interest income will increase over a period of time.

The following table estimates the impact of interest rate changes in net interest income of UB Bank in all points of the yield curve as measured against a flat rate scenario.

**Effect of Interest Rate Change on Net Interest Income (NII) at  
December 31, 2016 (unaudited)**

Immediate changes in Interest Rates (in basis points)	Estimated Change in NII in Year One (as percent of NII)
up 400	17.3%
up 300	12.6%
up 200	8.5%
up 100	4.3%

**Liquidity and Capital Resources**

**Liquidity.** Liquidity is First ULB’s ability to maintain sufficient cash flow to meet deposit withdrawals and loan demands and to take advantage of investment opportunities as they arise. First ULB’s principal sources of liquidity have been growth in deposits, proceeds from the maturity of securities, and prepayments of loans. UB Bank monitors its liquidity position daily and reports on its liquidity position to UB Bank’s ALCO Committee and Board of Directors on a monthly basis. At December 31, 2016, First ULB carried cash and cash equivalent balances of approximately \$97.1 million (21% of total assets) compared to \$91.0 million (23% of total assets) at September 30, 2015. As of December 31, 2016, UB Bank’s primary liquidity ratio, defined as available cash and cash equivalents as a percentage of total deposits was 23.9% compared to 26.4% at September 30, 2015. Management anticipates that First ULB’s current strong liquidity position and core deposit base will provide adequate liquidity to fund operations.

**Capital Resources.** UB Bank has historically augmented capital through the retention of earnings, less any dividends paid to First ULB. First ULB has not paid dividends to its shareholders since inception. These earnings are considered sufficient to support growth while maintaining appropriate levels of capital.

The following table presents the risk-based capital ratios for UB Bank as of December 31, 2016 and September 30, 2015 as compared to regulatory minimums required for “well capitalized” institutions.

Risk-based Capital Basel III (unaudited)	December 31, 2016	September 30, 2015	Well Capitalized
Common Equity Tier 1 Capital	13.24%	14.05%	6.50%
Tier 1 Capital	13.24%	14.05%	8.00%
Total Capital	14.31%	15.30%	10.00%
Leverage Ratio	8.68%	9.03%	5.00%

**Impact of Inflation**

The impact of inflation on a financial institution differs significantly from such impact on other companies. Banks, as financial intermediaries, have assets and liabilities that tend to move in concert with inflation both as to interest rates and value. A bank can reduce the impact of inflation if it can manage its interest rate sensitivity gap. First ULB attempts to structure its mix of financial instruments and manage its interest rate sensitivity gap in order to minimize the potential adverse effects of inflation or other market forces on its net interest income and therefore its earnings and capital. See “Market Risk/Interest Rate Risk Management.” Inflation has been moderate for the last several years and has had little or no effect on the financial condition and results of operations of First ULB during the periods covered in this proxy statement.

## **Financial Condition**

### **Summary**

Total assets for First ULB at December 31, 2016 were \$463.4 million, compared to \$387.1 million at September 30, 2015, an increase of \$76.3 million or 19.7%.

Balance sheet data at period end  
(in thousands, unaudited):

	<b>December 31, 2016</b>	<b>September 30, 2015</b>	<b>Increase (\$)</b>	<b>Increase (%)</b>
Assets	\$463,377	\$387,125	\$76,252	19.7%
Earning assets	436,289	352,903	83,386	23.6%
Loans, gross	316,678	244,939	71,739	29.3%
Deposits	417,000	342,390	74,610	21.8%
Interest-bearing liabilities	270,943	199,133	71,810	36.1%
Shareholders' Equity	29,550	26,381	3,169	12.0%

### **Loan Portfolio**

First ULB's loan portfolio represents the largest single portion of invested assets, substantially greater than the investment portfolio or any other asset placement category. The quality and diversification of First ULB's loan portfolio are important considerations when reviewing First ULB's results of operations.

Total gross loans were \$316.7 million as of December 31, 2016, compared to \$244.9 million at September 30, 2015, representing increases between these periods of \$71.7 million, or 29.3%. At December 31, 2016 and September 30, 2015, total loans includes loans held for sale of \$2.4 million and \$3.7 million, respectively. As part of First ULB's efforts to diversify the loan mix UB Bank entered into a program of purchasing single family residential ("SFR") jumbo mortgages located in UB Bank's various services areas. During the fifteen months ended December 31, 2016, UB Bank purchased SFR pools totaling approximately \$44.4 million. During 2016, UB Bank expanded its SBA division and added two additional lenders. The additions assisted in increasing the SBA portfolio by \$9.9 million, or 72% at December 31, 2016 compared to September 30, 2015.

The following table sets forth the composition of First ULB's loan portfolio as of December 31, 2016 and September 30, 2015:

(in thousands, unaudited)

	<b>December 31, 2016</b>	<b>September 30, 2015</b>
Residential real estate single family	\$58,260	\$17,109
Residential real estate multi-family	68,717	66,482
Commercial real estate – construction	1,065	3,769
Commercial real estate – SBA	23,655	13,733
Commercial real estate – other	138,029	118,373
Commercial business	24,432	21,353
Consumer	83	443
Total loans	314,241	241,262
Allowance for loan losses	(3,194)	(3,173)
Total net loans	\$311,047	\$238,089

**Off-Balance Sheet Commitments.** During the ordinary course of business, First ULB will provide various forms of credit lines to meet the financing needs of its customers. These commitments to provide credit represent an obligation of First ULB to its customers which is not represented in any form within the balance sheets of First ULB. These commitments represent a credit risk to First ULB.

The effect on First ULB's revenues, expenses, cash flows and liquidity from the unused portion of the commitments to provide credit cannot be reasonably predicted because there is no guarantee that the lines of credit will ever be used. Unused credit commitments and standby letters of credit were \$6.9 million and \$12.7 million as of December 31, 2016 and September 30, 2015, respectively. For more information regarding First ULB's off-balance sheet arrangements at, see Note 15 to First ULB's audited financial statements located elsewhere herein.

**Loan Maturities and Sensitivity to Changes in Interest Rates.** The following table presents the maturity distribution of our commercial and construction loans as of December 31, 2016 based on their contractual maturity dates.

(in thousands, unaudited)	<b>Due within 1 year</b>	<b>Due after 1 but within 5 years</b>	<b>Due after 5 years</b>	<b>Total</b>
Maturity distribution:				
Commercial	\$3,396	\$11,687	\$9,349	\$24,432
Construction	576	489	-	1,065
Total	<u>\$3,972</u>	<u>\$12,176</u>	<u>\$9,349</u>	<u>\$25,497</u>

The following table shows the mix of variable-rate loans to fixed-rate loans for commercial and construction loans. The large majority of the variable-rate loans are tied to independent indices (such as the Wall Street Journal prime rate or a Treasury Constant Maturity Rate).

(in thousands, unaudited)	<b>Fixed</b>	<b>Variable</b>	<b>Total</b>
Commercial	\$14,903	\$9,529	\$24,432
Construction	808	257	1,065
Total	<u>\$15,711</u>	<u>\$9,786</u>	<u>\$25,497</u>

### **Nonperforming Assets**

Nonperforming assets are comprised of loans on nonaccrual status, loans 90 days or more past due but not on nonaccrual status, loans restructured where the terms of repayment have been renegotiated resulting in a reduction or deferral of interest or principal, and OREO (Other Real Estate Owned). Management generally places loans on nonaccrual status when they become 90 days past due, unless they are both fully secured and in process of collection. Loans may be restructured by management when a borrower has experienced some change in financial status causing an inability to meet the original repayment terms, where First ULB believes the borrower will eventually overcome those circumstances and repay the loan in full. OREO consists of real property acquired through foreclosure or similar means that management intends to offer for sale.

Management's classification of a loan as nonaccrual or restructured is an indication that there is reasonable doubt as to the full collectability of principal or interest on the loan. At this point, First ULB stops recognizing income from the interest on the loan and reverses any uncollected interest that had been accrued but unpaid. If the loan deteriorates further due to a borrower's bankruptcy or similar financial problems, unsuccessful collection efforts or a loss classification by regulators or auditors, the remaining

balance of the loan is then charged off. These loans may or may not be collateralized, but collection efforts are continuously pursued.

At December 31, 2016, First ULB had no non-accrual loans and a \$2.1 million loan past due over 90 days and still accruing interest. Management determined that this loan was well secured and in the process of collection. Nonperforming loans as a percentage of total loans were 0.68% and 0.86% at December 31, 2016 and September 30, 2015, respectively.

The following table presents First ULB's nonperforming assets as of December 31, 2016 and September 30, 2015, including performing restructured loans.

(in thousands, unaudited)

	<b>December 31, 2016</b>	<b>September 30, 2015</b>
Non-accrual loans	\$ -	\$2,096
Loans 90 days past due and still accruing interest	2,139	-
Total non-performing loans	2,139	2,096
Other real estate owned	-	-
Total non-performing assets	\$2,139	\$2,096
Total performing TDRs	\$307	\$1,673

#### **Potential Problem Loans**

As of December 31, 2016, there are no significant loans not otherwise discussed in the table above, or where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with present loan repayment terms.

#### **Allowance For Loan Losses**

The allowance for loan losses reflects management's judgment of the level of allowance adequate to provide for probable incurred credit losses in the loan portfolio as of the balance sheet date. On a quarterly basis, First ULB assesses the overall adequacy of the allowance for loan losses, utilizing a disciplined and systematic approach which includes the determination of a specific allowance for identified impaired or troubled loans and a general allowance for unimpaired loans. This general allowance is based on management estimates using historical losses and qualitative factors applied to each portfolio class of loans. The qualitative factors include economic and industry trends, estimated collateral values, underwriting policies, concentrations and the character of the loan portfolio. The allowance for loan losses attributable to each portfolio class, which includes both impaired loans and loans that are collectively evaluated for impairment, is combined to determine First ULB's overall allowance for loan losses.

The following table summarizes the activity in First ULB's allowance for loan losses for the periods indicated:

(dollars in thousands, unaudited)	Fifteen months ended December 31, 2016	Twelve months ended September 30, 2015
Beginning balance	\$3,173	\$4,640
(Reversal) provision for loan losses	(300)	1,035
Loans charged-off:		
Residential real estate single family	-	-
Residential real estate multi-family	-	-
Commercial real estate – construction	-	-
Commercial real estate – SBA	-	-
Commercial real estate – other	-	-
Commercial business	(410)	(2,500)
Consumer	-	(2)
<b>Total loans charged-off</b>	<b>(410)</b>	<b>(2,502)</b>
Loan loss recoveries:		
Residential real estate single family	-	-
Residential real estate multi-family	-	-
Commercial real estate – construction	-	-
Commercial real estate – SBA	-	-
Commercial real estate - other	638	-
Commercial business	93	-
Consumer	-	-
<b>Total loan loss recoveries</b>	<b>731</b>	<b>-</b>
<b>Net loans recovered (charged-off)</b>	<b>321</b>	<b>(2,502)</b>
<b>Ending balance</b>	<b>\$3,194</b>	<b>\$3,173</b>
Total loans held for investment at end of period, before deducting allowance for loan losses	\$314,241	\$241,262
Average total loans outstanding for the periods	\$273,960	\$231,963
Ratio of allowance for loan losses to total loans at end of period	1.02%	1.32%
Net (recoveries)/charge-offs to average loans, annualized	(0.09%)	1.08%

Management is committed to maintaining the allowance for loan losses at a level that is considered to be commensurate with estimated and known risks in the portfolio. Although the adequacy of the allowance is reviewed quarterly, management performs an ongoing assessment of the risks inherent in the portfolio. Real estate is the principal collateral for First ULB's loans.

As of December 31, 2016, management believed the allowance to be adequate based on its assessment of the estimated and known risks in the portfolio. No assurance can be given that economic conditions which adversely affect our service areas or other circumstances will not be reflected in increased provisions or loan losses in the future.



The following table provides a breakdown of the allowance for loan losses by category as of the dates indicated:

	<u>December 31, 2016</u>		<u>September 30, 2015</u>	
	<b>Allowance balance allocation</b>	<b>Loans as percent of total loans (%)</b>	<b>Allowance balance allocation</b>	<b>Loans as percent of total loans (%)</b>
(dollars in thousands, unaudited)				
Residential real estate single family	\$189	18.5	\$19	7
Residential real estate multi-family	747	21.9	669	27.6
Commercial real estate - construction	3	0.3	10	1.6
Commercial real estate - SBA	234	7.5	74	5.7
Commercial real estate - other	1,292	43.9	1,552	49.1
Commercial business	632	7.8	845	8.8
Consumer	-	0.1	2	0.2
Unallocated allowance	97	N/A	2	N/A
<b>Total allowance for loan losses</b>	<b><u>\$3,194</u></b>		<b><u>\$3,173</u></b>	
<b>Total percent</b>		<b><u>100.0%</u></b>		<b><u>100.0%</u></b>

### **Investment Portfolio**

The main objectives of First ULB's investment portfolio are to support a sufficient level of liquidity while providing means to manage the interest rate risk, and to generate an adequate level of interest income without taking undue risks.

The following table summarizes the amortized cost, fair value and distribution of First ULB's investment securities as of December 31, 2016 and September 30, 2015:

	<u>December 31, 2016</u>		<u>September 30, 2015</u>	
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
(in thousands, unaudited)				
<b>Available-for-Sale:</b>				
Small Business Administration loan-backed securities	\$7,054	\$7,100	\$6,232	\$6,254
Obligations of states and political subdivisions	13,109	13,117	9,717	9,830
Mortgage-backed securities issued by U.S. Government sponsored agencies	7,703	7,861	12,530	13,103
<b>Total available-for-sale</b>	<b><u>\$27,866</u></b>	<b><u>\$28,078</u></b>	<b><u>\$28,479</u></b>	<b><u>\$29,187</u></b>
<b>Held-to-Maturity:</b>				
Mortgage-backed securities issued by U.S. Government sponsored agencies	\$33	\$38	\$42	\$50

The amortized cost and estimated fair value of investment securities at December 31, 2016 by contractual maturity are shown in the following table. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Available-for-Sale</u>		<u>Held-to-Maturity</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
(in thousands, unaudited)				
Due:				
Within one year	\$ -	\$ -	\$ -	\$ -
One to five years	1,275	1,261	-	-
Five to ten years	6,010	5,961	-	-
Beyond ten years	5,823	5,895	-	-
Investment securities not due at a single maturity date:				
Small Business Administration loan-backed securities	7,054	7,100	-	-
Mortgage-backed securities issued by U.S. Government sponsored Agencies	7,704	7,861	33	38
	<u>\$27,866</u>	<u>\$28,078</u>	<u>\$ 33</u>	<u>\$ 38</u>

## Deposits

Deposits are First ULB's primary source of funds. Total deposits as of December 31, 2016, were \$417.0 million, compared to \$342.4 million at September 30, 2015, an increase of \$74.6 million, or 21.8%, between these two periods. The increase in deposits was primarily associated with expanding existing relationships in various trade unions and also entering into new business relationships outside of the unions. In December 2014, UB Bank changed its name from United Labor Bank to United Business Bank in order to assist our branding to the local businesses. The mix of non-interest bearing deposits and interest bearing deposits at December 31, 2016 was 38.2% and 61.8%, respectively. This compares with 46.2% and 53.8%, respectively, at September 30, 2015. The shift in mix of deposits between these two periods was primarily found in money market deposit accounts and interest-bearing transactions accounts. Certain union trades as an ordinary course of business move annual dues from non-interest bearing checking accounts to interest bearing accounts at the end of the calendar year. This is generally reflected in the change in mix of these accounts at calendar year end December 31, 2016 that was not reflected in fiscal year end September 30, 2015.

The following table shows the relative composition of our average deposits for the fifteen months ended December 31, 2016 and twelve months ended September 30, 2015:

#### Distribution of Average Deposits

(dollars in thousands, unaudited)	Fifteen months ended December 31, 2016		Twelve months ended September 30, 2015	
	Amount	Percent	Amount	Percent
Non-interest bearing	\$160,750	42.2	\$154,959	46.4
Interest-bearing transaction	82,263	21.6	54,199	16.2
Savings	24,840	6.5	23,124	6.9
Money market	95,349	25.0	77,669	23.2
CDARS® and other time deposits	17,815	4.7	24,361	7.3
Total Average Deposits	\$381,017	100.0	\$334,312	100.0

The following table shows the maturity groupings for time deposits of \$100,000 or more at December 31, 2016 and September 30, 2015.

#### Maturities of Time Deposits of \$100,000 or more

(in thousands, unaudited)	December 31, 2016	September 30, 2015
Three months or less	\$1,830	\$5,280
Over three months through twelve months	7,570	6,800
Over one year through three years	2,673	3,310
Over three years	-	-
Total	\$12,073	\$15,390

#### DESCRIPTION OF BAYCOM CORP

BayCom Corp was incorporated on November 9, 2016 at the direction of BC Bank for the purpose of becoming a bank holding company by acquiring all of the outstanding capital stock of BC Bank. On January 17, 2017, BayCom Corp became the parent bank holding company of BC Bank in a one-bank holding company reorganization. The main office of BayCom Corp is located at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California 94596.

BayCom Corp is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. BayCom Corp owns all of the common stock of BC Bank. BayCom Corp has no significant assets other than the shares of BC Bank's common stock acquired in the reorganization, and has no significant liabilities. BayCom Corp neither owns nor leases any property, but instead uses the premises, equipment and furniture of BC Bank.

At the present time, BayCom Corp has no specific plans to engage in any activities other than acting as a bank holding company for BC Bank, and any other banks which it may acquire. However, BayCom Corp may consider engaging in additional activities in the future, provided that engaging in such activities is deemed by the Board of Directors of BayCom Corp to be in the best interests of BayCom Corp and its shareholders. In addition, BayCom Corp may seek to raise additional equity capital in the future through the sale of its securities.

## DESCRIPTION OF BAY COMMERCIAL BANK

### Business

BC Bank is a state-chartered commercial bank which was incorporated under the laws of the State of California on March 24, 2004 and commenced operations in July 2004. BC Bank operates ten full-service banking offices in Walnut Creek, Oakland, Castro Valley, Mountain View, Napa, Stockton, Waterloo, Pleasanton, Livermore and San Jose, California. BC Bank's main office and administrative offices are located at 500 Ygnacio Valley Road, Suite 200, Walnut Creek, California 94596. As of December 31, 2016, BC Bank had \$675.3 million in total assets, \$590.8 million in total deposits and \$508.4 million in total loans.

BC Bank's deposits are insured to the fullest extent allowable by the FDIC. BC Bank engages in general commercial banking activities and endeavors to provide attentive and tailored services to residents, businesses, non-profit organizations and professional entities in the Greater San Francisco Bay Area and the Central Valley, California.

BC Bank strives to provide customers with a high level of personalized service, while at the same time offering a full range of commercial banking services combined with the convenience of banking by appointment (before or after normal business hours on weekdays and on weekends) and automated banking systems, including access to ATM services and internet banking.

BC Bank concentrates its business development efforts on small and medium-sized businesses, service professionals, and individuals in the Greater Bay San Francisco Bay Area of Northern and Central California. It attempts to differentiate itself by having an attentive and focused approach to its customers. BC Bank uses, to the fullest extent possible, the flexibility that results from being an independently owned and operated bank. Its approach to customer service includes an emphasis on meeting customers' specialized banking needs through personal contact by its directors, officers and employees. BC Bank is dedicated to relationship banking, which includes ongoing customer contact by knowledgeable management and staff, as well as customer access to its decision makers.

BC Bank offers a full complement of lending products, including commercial lines of credit and term loans, equipment loans, real estate term and construction loans, and small business loans guaranteed by the Small Business Administration. It also provides home equity financing and other consumer lines-of-credit. BC Bank has offered and will likely continue to offer loans, in amounts which exceed its lending limits through participation agreements with its correspondent banks and other financial institutions.

BC Bank offers a full complement of deposit products, including demand deposit accounts, interest-bearing checking accounts, regular savings accounts, money market accounts and certificates of deposit. BC Bank also offers treasury management services including on-line banking, electronic bill payment, wire transfers, direct deposits and automatic transfers. It also offers other convenience-related services, including banking by appointment, online banking services, access to a national automated teller machine network, remote deposit capture, and banking by mail.

BC Bank has a website that provides bank services and information so customers can review account information, transact banking business and learn about our products and offerings. BC Bank also provides substantive financial information through its website that may be helpful to the financial operations of its customers.

The computerized internet banking system of BC Bank enables its customers to view account information, transfer funds between accounts, access treasury management services (including the initiation

of wire transfers and ACH payments), pay bills, make loan payments, pre-schedule deposit transfers and loan payments, and view both the front and back of cleared deposit items.

## Premises

In addition to BC Bank's headquarters in Walnut Creek, California, BC Bank occupies 10,859 square feet of office space in Walnut Creek, including the main branch for a monthly obligation of \$31,500. This office was opened in July 2013 and the lease expires in July 2023.

In addition, BC Bank currently operates nine additional branch offices, in Castro Valley, Mountain View, Napa, Oakland, Pleasanton, Livermore, San Jose and two branches offices in Stockton, California. Each office is leased pursuant to an operating lease, the principal terms of which are outlined in the table below.

<u>Date Opened</u>	<u>Address</u>	<u>Approx. Usable Sq Footage</u>	<u>Curren Monthl Obligati</u>	<u>Lease Expiration</u>
May 2009	3895 E. Castro Valley, Ste A Castro Valley, CA	3,520	\$3,000	May 2018
Oct. 2011	700 E. El Camino Real, Ste 110 Mountain View, CA	2,880	\$12,000	May 2018
Feb. 2012	960 School Street Napa, CA	2,663	\$9,000	Sept. 2018
July 2004	155 Grand Avenue, Ste 105 Oakland, CA	1,269	\$7,400	Feb. 2021
April 2014	22 West Yokuts Avenue Stockton, CA	8,541	\$8,600	May 2019
April 2014	4426 E. Waterloo Road Stockton, CA	1,200	\$4,800	Oct 2021
Feb. 2015	465 Main Street Pleasanton, CA	4,415	\$16,300	Dec 2020
Feb. 2015	2300 First Street, Suite 100 Livermore, CA	2,608	\$11,500	Dec 2019
Feb. 2015	1150 S. Bascom Avenue, Suite 29 San Jose, CA	1,565	\$8,200	Feb 2020

Management believes that BC Bank's present facilities are in good physical condition and are adequately covered by insurance. Certain of the leases noted above contain options to extend the term of the lease. BC Bank is confident that, if necessary, it would be able to secure suitable alternative space on similar terms without having a substantial effect on operations.

## Employees

As of December 31, 2016, BC Bank had 110 full-time employees and no part-time employees. BC Bank's employees are not represented by any union or other collective bargaining agreement.

## **Market Area**

BC Bank is headquartered in Walnut Creek with branch offices in Oakland, Castro Valley, Mountain View, Napa, Stockton, Waterloo, Pleasanton, Livermore and San Jose, California, in Contra Costa, Alameda, Napa, Santa Clara and San Joaquin Counties. Its market area encompasses these five Counties. BC Bank's officers have many years of experience in dealing with the businesses and professional service providers in its market area. This area has significant diversification and geographic concentration of the desired businesses.

As BC Bank is a business-focused community bank, with an emphasis on small-to-medium sized businesses and professionals, it does not target any specific industries or business segments, but instead looks to the quality of the credit/deposit relationship. The primary driver for business is that it is relationship-oriented with a preference for owner-occupied real estate and commercial and industrial credits. BC Bank is a preferred lender under the SBA loan program.

## **Competition**

The banking business in California, generally, and in BC Bank's service area, specifically, is highly competitive with respect to both loans and deposits and is dominated by a number of major banks that have many offices operating over wide geographic areas. BC Bank competes for deposits and loans principally with these major banks, community banks, savings and loan associations, finance companies, credit unions and other financial institutions located in its market area. Among the advantages that the major banks have over BC Bank are their ability to finance extensive advertising campaigns and to allocate their investment assets to regions of highest yield and demand. Many of the major commercial banks operating in BC Bank's service areas offer certain services (such as trust and international banking services) that are not offered directly by BC Bank and, by virtue of their greater total capitalization, such banks have substantially higher lending limits.

As of June 30, 2016, the most recent period for which figures are available, data reported by the Federal Deposit Insurance Corporation indicated that there were many financial institutions with offices in BC Bank's primary market areas of Contra Costa, Alameda, Santa Clara, Napa and San Joaquin Counties, that held approximately \$49 billion in total deposits. BC Bank's total deposits at June 30, 2016 of \$535.7 million in its primary market area constituted 0.11% of the total deposits in that market.

Moreover, all banks face increasing competition for loans and deposits from non-bank financial intermediaries such as mortgage companies, insurance companies, credit unions and securities firms.

In order to compete, BC Bank uses to the fullest extent possible the familiarity of its directors and officers with the market area and its residents and businesses and the flexibility that BC Bank's independent status permits. This includes an emphasis on specialized services, local promotional activity, and personal contacts by directors, officers and other employees.

BC Bank's management believes that BC Bank's reputation in the communities served and personal service philosophy enhance the ability to compete favorably in attracting and retaining individual and business clients. BC Bank also believes that it has an advantage over the larger national and "Super Regional" institutions because it is locally managed by well-respected and experienced bankers who are committed to the communities that they serve.

Mergers, acquisitions and downsizing have and will continue to foster impersonal banking relationships which, in turn, may cause dissatisfaction among BC Bank's targeted customer population. Moreover, larger competitors may not offer adequate personalized banking services, since their emphasis is on large volume and standardized retail products.

BC Bank faces growing competition from other community banks. These institutions have similar marketing strategies, have also been successful and are strong evidence regarding the potential success of the community banking sector.

No assurance can be given that ongoing efforts to compete will continue to be successful.

### **Legal Proceedings**

Neither BayCom Corp nor BC Bank is a defendant in any pending material legal proceedings and no such proceedings are known to be contemplated.

### **Securities Authorized for Issuance Under Equity Compensation Plan**

BayCom Corp has an Omnibus Equity Incentive Plan that was approved by shareholders in 2014. BayCom Corp has equity grants totaling 120,462 that vest over a three to five year term. The shares available for future grants under this plan total 179,538.

### **Directors**

The following table sets forth certain information regarding the current directors of BayCom Corp.

<u>Name and Title Other than Director</u>	<u>Age</u>	<u>Year First Appointed Director</u>	<u>Principal Occupation During the Past Five Years</u>
James S. Camp	65	2004	President, SA Camp Companies.
George J. Guarini President and CEO	63	2004	President and Chief Executive Officer of BC Bank.
Lloyd W. Kendall, Jr Chairman	70	2004	Practicing attorney specializing in income tax and real estate law.
Robert G. Laverne	68	2004	Anesthesiologist at John Muir Medical Center.
David M. Spatz	69	2004	President of Anyi Lu International, Inc.

The following two First ULB board members are to be added to the BayCom Corp board following completion of the Merger:

Malcolm Hotchkiss is currently the Chairman, President and Chief Executive Officer of First ULB and director of UB Bank. He has served in these positions with First ULB and UB Bank since 1994.

Rocco Davis has served as a director of First ULB since 2014. Mr. Davis is a Vice President of LIUNA and serves on its General Executive Board. He also acts as LIUNA's Pacific Southwest Regional Manager which covers the states of Arizona, California, Hawaii, New Mexico and 10 counties in West Texas.

### **Compensation of Directors**

BayCom Corp's outside directors are each paid a retainer totaling \$1,500 per month as compensation for attending monthly board and committee meetings. In addition, the Chairman receives an

additional \$1,000 per month as compensation for his role as Chairman. Each member of the Loan Committee also receives \$200 for attendance at each Loan Committee meeting.

### **Executive Officers**

The following table sets forth certain information concerning executive officers of BayCom Corp and BC Bank.

<u>Name</u>	<u>Age</u>	<u>Position and Principal Occupation For the Past Five Years</u>
Dave Funkhouser	61	Executive Vice President and Chief Credit Officer of BC Bank since 2015. Prior to that time, served as President, Chief Executive Officer and Director at Trans Pacific National Bank from 2010 to 2014.
Keary L. Colwell	57	Executive Vice President and Chief Financial Officer of BayCom Corp and BC Bank.
George J. Guarini	63	Chief Executive Officer and President of BayCom Corp and BC Bank.
Janet L. King	54	Executive Vice President and Chief Operating Officer of BayCom Corp and BC Bank.
Charles Yun	48	Executive Vice President and Chief Lending Officer of BC Bank since 2016. Prior to that time, served as Senior Vice President at Umpqua Bank in charge of commercial banking in San Jose, California.
Izabella L. Zhu	31	Executive Vice President and Chief Risk Officer of BC Bank since 2013. Prior to that time, served as an examiner for the Department of Business Oversight.

None of the executive officers were selected pursuant to any arrangement or understanding other than with the directors and executive officers of BayCom Corp acting within their capacities as such. There are no family relationships between any of the directors and executive officers of BayCom Corp. There are no material proceedings to which any executive officer of BayCom Corp or any associate of any executive officer of BayCom Corp is a party or has an interest materially adverse to BayCom Corp.

### **Securities Ownership of Officers, Directors and Principal Shareholders**

As of November 28, 2016, management of BayCom Corp knows of no person who owns, beneficially or of record, either individually or together with associates, five percent or more of the outstanding shares of BayCom Corp's stock, except as set forth in the table below.



<b>Name of Beneficial Owner</b>	<b>Number of Shares of Common Stock</b>	<b>Percentage Owned</b>
Starboard Fund for New Bancs	347,334	6.3%
Commerce Street Capital	357,874	6.5%
Banc Funds	436,686	8.0%
Total	1,141,894	20.9%

The following table sets forth, as of January 1, 2017, the number and percentage of shares of outstanding common stock beneficially owned, directly or indirectly, by each of BayCom Corp's directors and by the directors and executive officers as a group. The shares "beneficially owned" are determined under Securities and Exchange Commission Rules, and do not necessarily indicate ownership for any other purpose. In general, beneficial ownership includes shares over which the director or executive officer has sole or shared voting or investment power and shares which such person has the right to acquire within 60 days of January 1, 2017. Unless otherwise indicated, the persons listed below have sole voting and investment powers of the shares beneficially owned. Management is not aware of any arrangements which may, at a subsequent date; result in a change of control of BayCom Corp.

<b>Name of Beneficial Owner</b>	<b>Number of Shares of Common Stock</b>	<b>Restricted Stock Grants (1)</b>	<b>Percentage Owned(2)</b>
George J. Guarini, Director, President, and Chief Executive Officer	32,791	33,613	1.2%
James S. Camp, Director	106,697	1,760	2.0%
Lloyd W. Kendall, Jr., Chairman	57,062	6,160	1.2%
Robert G. Laverne, Director	95,957	1,760	1.8%
David M. Spatz, Director	58,820	1,760	1.1%
Keary L. Colwell Chief Administrative Officer, Chief Financial Officer, Secretary, and Executive Vice President	5,953	10,196	0.3%
Janet L. King Chief Operating Officer and Executive Vice President	6,953	10,196	0.3%
Directors and Executive Officers as a Group (Seven persons)	364,233	65,445	7.9%

(1) Represents unvested Restricted Stock granted under the 2014 Omnibus Equity Incentive Plan.

(2) Includes the restricted stock.

**Employment Agreement with Mr. Guarini.** BC Bank has entered into a three-year employment agreement with Mr. Guarini dated June 1, 2016. The agreement provides for, among other things, an annual base salary of at least \$384,800, incentive bonuses, a monthly automobile allowance of \$800 and group insurance benefits, as well as a group life insurance benefit payable to Mr. Guarini's designated beneficiary in an amount equal to Mr. Guarini's then-current annual base salary and participation in any retirement, profit-sharing, salary deferral, medical expense reimbursement and other similar plans BC Bank may establish for its employees. The agreement generally provides for indemnification of Mr. Guarini to the maximum extent permitted by law and applicable regulations for any expenses incurred by him, and for

any judgments, awards, fines or penalties imposed against him, in any proceeding relating to his actions (or BC Bank's actions) while an agent of BC Bank. The agreement also provides for the advancement of expenses to Mr. Guarini and coverage under a director and officer liability insurance policy.

The agreement provides that if BC Bank terminates the agreement without cause, BC Bank must, for the remainder of the contract term (but in no event for less than 24 months), continue to pay Mr. Guarini one-twelfth of his then-current base annual salary plus one-twelfth of the amount of the incentive payment made to him during the preceding year. BC Bank must also, for the remainder of the contract term (but not more than 24 months), continue to provide him with health insurance benefits on the same terms as when he was employed by BC Bank. In addition, if, within one year of a change in control, Mr. Guarini's employment is terminated without cause or if Mr. Guarini terminates his employment for "good reason," then he will be entitled to a severance payment equal to two times his then-current base annual salary plus two times any incentive payment made to him in the preceding year. The term "good reason" means any of the following: (1) a material permanent reduction in Mr. Guarini's total compensation or benefits; (2) material permanent reduction in Mr. Guarini's title or responsibilities; or (3) a relocation of Mr. Guarini's principal office so that his commute distance is increased by more than 40 miles from Walnut Creek, California.

***Employment Agreements with Ms. Colwell and Ms. King.*** BC Bank has entered into employment agreements with Ms. Colwell and Ms. King, dated June 1, 2016, respectively. Each of the agreements has a term of three years. Each agreement provides for, among other things, a minimum annual base salary (\$244,400 in the case of Ms. Colwell and \$244,400 in the case of Ms. King), incentive bonuses, a monthly automobile allowance (\$500 in the case of Ms. Colwell and \$800 in the case of Ms. King) and group insurance benefits, as well as a group life insurance benefit payable to the executive's designated beneficiary in an amount equal to the executive's then-current annual base salary and participation in any retirement, profit-sharing, salary deferral, medical expense reimbursement and other similar plans BC Bank may establish for its employees. Each agreement generally provides for indemnification of the executive to the maximum extent permitted by law and applicable regulations for any expenses incurred by her, and for any judgments, awards, fines or penalties imposed against her, in any proceeding relating to her actions (or BC Bank's actions) while an agent of BC Bank. The agreement also provides for the advancement of expenses to the executive and coverage under a director and officer liability insurance policy.

Each agreement provides that if BC Bank terminates the agreement without cause, BC Bank must, for 12 months thereafter, continue to pay the executive one-twelfth of her then-current base annual salary plus one-twelfth of the amount of the incentive payment made to him or her during the preceding year. BC Bank must also, for the remainder of the contract term (but not more than 12 months), continue to provide the executive with health insurance benefits on the same terms as when she was employed by BC Bank. In addition, if, within one year of a change in control, the executive's employment is terminated without cause or if the executive terminates her employment for "good reason," then she will be entitled to a severance payment equal to one times her then-current base annual salary plus one times any incentive payment made to her in the preceding year. The term "good reason" means any of the following: (1) a material permanent reduction in the executive's total compensation or benefits; (2) material permanent reduction in the executive's title or responsibilities; or (3) a relocation of the executive's principal office so that her commute distance is increased by more than 40 miles from Walnut Creek, California.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Selected Financial Data for BC Bank

The following table presents selected historical financial information, including share and per share information as described below. The selected financial and other data as of and for the two years ended December 31, 2016 and 2015 is derived in part from the audited financial statements of BC Bank included in Appendix F in this Joint Proxy Statement/Offering Circular.

	2016	2015
	(Dollars in Thousands, except per share data)	
<b>Income Statement:</b>		
Interest income	\$ 29,626	\$ 25,715
Interest expense	3,074	2,691
Net interest income before provisions for loan losses	26,552	23,024
Provision for loan losses	598	1,412
Noninterest income	1,359	6,902
Noninterest expense	16,965	19,350
Income before provision for income taxes	10,348	9,164
Provision for income taxes	4,436	1,711
Net income	\$ 5,912	\$ 7,453
<b>Share Data:</b>		
Earnings per share:		
Basic	\$ 1.10	\$ 1.37
Diluted	\$ 1.09	\$ 1.36
Weighted average common shares outstanding:		
Basic	5,392,597	5,437,790
Diluted	5,430,345	5,493,398
<b>Balance Sheet:</b>		
Total assets	\$ 675,299	\$ 623,304
Other investments and securities	19,368	30,680
Loans, net	504,264	460,208
Total deposits	590,759	543,304
Total shareholders' equity	78,063	72,380

The following table presents various operating and performance ratios as of the years ending December 31, as shown:

	<u>2016</u>	<u>2015</u>
<b>Performance Ratios:</b>		
Return on average equity	7.87%	10.35%
Return on average assets	0.91%	1.24%
Net interest spread	4.01%	3.75%
Net interest margin	4.25%	4.00%
Efficiency Ratio	60.67%	64.66%
Net loans to total deposits at period end	85.36%	84.71%
Dividend payout ratio	0.00%	0.00%
<b>Capital Ratios:</b>		
Average stockholders' equity to average total assets	11.55%	11.94%
Tier 1 capital to adjusted total assets	10.60%	10.59%
Common equity tier 1 capital to total risk-weighted assets	13.40%	13.30%
Tier 1 capital to total risk-weighted assets	13.40%	13.30%
Total capital to total risk-weighted assets	14.20%	14.13%
<b>Asset Quality Ratios:</b>		
Nonperforming loans to total loans	0.21%	0.07%
Nonperforming assets to total loans and other real estate owned	0.37%	0.07%
Net charge-offs to average total loans	0.01%	0.02%
Allowance for loan losses to total loans at period end	0.74%	0.83%
Allowance for loan losses to nonperforming loans	346.33%	1152.69%

### **Management's Discussion and Analysis**

This discussion presents Management's analysis of the financial condition and results of operations of BC Bank as of and for each of the years in the two-year period ended December 31, 2015 and as of and for each of the year ended December 31, 2016 and 2015. This discussion is designed to provide shareholders with a more comprehensive review of the operating results and financial position than could be obtained from an examination of the financial statements alone. The discussion should be read in conjunction with the financial statements of BC Bank and the notes related thereto which are included in Appendix F to this Joint Proxy Statement/Offering Circular.

BayCom Corp is a bank holding company organized under the laws of the state of California. Our principal business is to serve as the holding company for BC Bank, a full service community bank serving the business and professional communities in Northern and Central California. We also own all of the issued and outstanding capital stock of BC Bank. BC Bank is a California state-chartered commercial bank and its deposits are insured to the fullest extent allowable by the FDIC. BC Bank engages in general commercial banking activities and endeavors to provide attentive and tailored services to the communities, businesses, non-profit organizations and professional entities within the target market it serves.

## **General**

BC Bank's net income decreased to \$5.9 million as compared to \$7.5 million for the year ended December 31, 2016 and 2015, respectively. The following are significant factors impacting our results of operations:

- Net interest income increased by \$3.5 million or 15.3% for the year ending December 31, 2016 as compared to the year ending December 31, 2015. The increase in net interest income was primarily due to higher total loans outstanding in 2016 compared to 2015. Average total loans outstanding increased \$98.0 million or 24.8% when comparing the period ending December 31, 2016 to the period ending December 31, 2015.
- The loan loss provision decreased by \$814,000 for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The decrease in net allowance for loan losses was primarily due to improving credit quality in 2016 compared to the same period in 2015.
- Noninterest income decreased by \$5.5 million or 80.3% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The decline in noninterest income was primarily due to the bargain purchase gain of \$5.4 million recognized in 2015 related to the acquisition of a community bank.
- Noninterest expense decreased by \$2.4 million or 12.3% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Noninterest expenses were higher in 2015 due to merger integration expenses associated with the 2015 acquisition of a community bank. A similar acquisition did not occur in 2016.
- Income tax expense increased by \$2.7 million or 159.3% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The increase between these two periods in income tax expense was primarily due to the increase in higher taxable income in 2016 compared to 2015. Although pretax income is higher in 2015, as compared to 2016, the bargain purchase gain recognized in 2015 was not taxable.

## **Critical Accounting Policies**

BC Bank's financial statements are prepared in accordance with accounting principles generally accepted in the United States. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred.

### **Allowance for Loan Losses**

The allowance for loan losses is evaluated on a regular basis by management. Periodically, BC Bank charges current earnings with provisions for estimated probable losses of loans receivable. The provision or adjustment takes into consideration the adequacy of the total allowance for loan losses giving due consideration to specifically identified problem loans, the financial condition of the borrowers, fair value of the underlying collateral, recourse provisions, prevailing economic conditions, and other factors. Additional consideration is given to BC Bank's historical loan loss experience relative to BC Bank's loan portfolio concentrations related to industry, collateral and geography. This evaluation is inherently subjective and requires estimates that are susceptible to significant change as additional or new information becomes available. In addition, regulatory examiners may require additional allowances based on their judgments of the information regarding problem loans and credit risk available to them at the time of their examinations.

Generally, the allowance for loan loss consists of various components including a component for specifically identified weaknesses as a result of individual loans being impaired, a component for general non-specific weakness related to historical experience, economic conditions and other factors that indicate probable loss in the loan portfolio, and an unallocated component that relates to the inherent imprecision in the use of estimates. Loans determined to be impaired are individually evaluated by management for specific risk of loss.

In situations where, for economic or legal reasons related to a borrower's financial difficulties, BC Bank grants a concession to the borrower that it would not otherwise consider, the related loan is classified as a troubled debt restructuring. BC Bank measures any loss on the troubled debt restructuring in accordance with the guidance concerning impaired loans set forth above. Additionally, loans modified in troubled debt restructurings are generally placed on non-accrual status at the time of restructuring and included in impaired loans. These loans are returned to accrual status after the borrower demonstrates performance with the modified terms for a sustained period of time (generally six months) and has the capacity to continue to perform in accordance with the modified terms of the restructured debt.

#### Stock-Based Compensation

BC Bank granted restricted stock to directors and employees as shown in footnote 13 of the annual financial statements in Appendix F. The grant-date fair value of the award is amortized on the straight-line basis over the requisite service period, which is generally the vesting period, as compensation expense.

#### Loan Sales and Servicing of Financial Assets

Periodically, BC Bank sells loans and retains the servicing rights. The gain or loss on sale of loans depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

All servicing assets and liabilities are initially measured at fair value. In addition, BC Bank amortizes servicing rights in proportion to and over the period of the estimated net servicing income or loss and assesses the rights for impairment. The servicing rights are initially measured at fair value and amortized in proportion to and over the period of the estimated net servicing income assuming prepayments.

#### Income Taxes

Deferred income taxes are computed using the asset and liability method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which it is "more likely than not" that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carry forwards depends on having sufficient taxable income of an appropriate character within the carry forward periods.

BC Bank recognizes that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

## **Results of Operations**

### **Net Interest Income**

BC Bank's earnings depend largely upon its net interest income, which is the difference between the income received from its loan portfolio and other interest-earning assets and the interest paid on deposits and other liabilities. The net interest income, when expressed as a percentage of average total interest-earning assets, is referred to as the net interest margin. BC Bank's net interest income is affected by the change in the level and the mix of interest-earning assets and interest-bearing liabilities, referred to as volume changes. BC Bank's net interest income is also affected by changes in the yields earned on assets and rates paid on liabilities, referred to as rate changes. Interest rates charged on BC Bank's loans are affected principally by the demand for such loans, the supply of money available for lending purposes and competitive factors. Those factors are, in turn, affected by general economic conditions and other factors beyond BC Bank's control, such as federal economic policies, the general supply of money in the economy, legislative tax policies, governmental budgetary matters and the actions of the FRB. Interest rates on deposits are affected primarily by rates charged by competitors.

BC Bank's level of net interest income depends on several factors in combination, including growth in earning assets, the mix of earning assets by loan type and by security type, the cost of interest bearing liabilities and the mix of noninterest earning deposits to total deposits. Net interest income was \$26.6 million and \$23.0 million for the year ended December 31, 2016 and 2015, respectively. The increase of \$3.6 million in net interest income was primarily due to total average loan growth of \$98.0 million or 24.8% for the period ended December 31, 2016 as compared to the period ended December 31, 2015.

Interest expense on deposits and borrowings increased \$383,000, or 11.3% for the year ended December 31, 2016 as compared to the same period in 2015. Average interest bearing deposits increased \$43.3 million or 11.5% and FHLB Borrowings decreased \$915,000 or 92.2% as of December 31, 2016 as compared to December 31, 2015. The result was an increase in deposit interest expense of \$388,000 and a decrease in FHLB borrowing expense of \$5,000 for the year ended December 31, 2016 as compared to the same period in 2015.

### **Net Interest Margin**

Net interest income, when expressed as a percentage of average total interest-earning assets, is referred to as the net interest margin. The net interest margin was 4.25% and 4.00% for the year ended December 31, 2016 and 2015, respectively. Average net loans reflected an increase of \$98.0 million or 24.8% when comparing the average outstanding balance for the year ended December 31, 2016 compared to the year ended December 31, 2015. At the same time, average interest earning assets related to all other earning assets decreased \$49.3 million or 27.3% comparing the same period ended December 31, 2016 to the period ended December 31, 2015. Average earning assets increased \$48.8 million or 8.5% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. This shift from lower yielding assets to higher yielding assets is the main reason for the yield on earning assets to increase to 4.74% from 4.47% when comparing the year ended December 31, 2016 to the year ended December 31, 2015.

The following table shows BC Bank's average balances of assets, liabilities and shareholders' equity; the amount of interest income and interest expense; the average yield or rate for each category of interest-earning assets and interest-bearing liabilities; and the net interest spread and the net interest margin for the periods indicated:

Distribution, Yield and Rate Analysis of Net Income  
December 31,

	2016			2015		
	Average Balance	Interest Income/Expense	Average Rate/Yield	Average Balance	Interest Income/Expense	Average Rate/Yield
(Dollars in Thousands)						
Assets:						
Interest-earning assets:						
Loans, net	\$ 493,091	\$ 28,394	5.76%	\$ 395,047	\$ 24,415	6.18%
Interest-earning due from banks	105,999	566	0.53%	133,223	517	0.39%
Investment securities	21,400	269	1.26%	43,799	478	1.09%
Equity stocks – FHLB & FRB	3,903	397	10.17%	3,570	305	8.54%
Total interest-earning assets	624,393	29,626	4.74%	575,639	25,715	4.47%
Noninterest earning assets:						
Cash and due from banks	6,377			7,414		
Bank premises and equipment, net	1,258			1,345		
Accrued interest receivable	1,545			1,436		
Other assets	16,170			17,191		
Total noninterest-earning assets	25,350			27,386		
Total assets	\$ 649,743			\$ 603,025		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Deposits:						
Money market and NOW accounts	268,233	1,576	0.59%	\$ 225,838	879	0.39%
Savings	13,694	21	0.15%	13,978	19	0.14%
Time certificates of deposit in denominations of \$100,000 or more	118,536	1,372	1.16%	108,889	1,161	1.07%
Other time certificates of deposit	17,846	105	0.59%	26,341	627	2.38%
Total interest-bearing deposits	418,309	3,074	0.73%	375,046	2,686	0.72%
Borrowings	77	-	0.00%	992	5	0.50%
Total interest-bearing liabilities	418,386	3,074	0.73%	376,038	2,691	0.72%
Noninterest bearing liabilities:						
Demand deposits	149,364			147,167		
Other liabilities	6,916			7,834		
Total noninterest-bearing liabilities	156,280			155,001		
Shareholders' equity	75,077			71,986		
Total liabilities and shareholders' equity	\$ 649,743			\$ 603,025		
Net interest income		\$ 26,552			\$ 23,024	
Net interest spread			4.01%			3.75%
Net interest margin			4.25%			4.00%
Ratio of average interest-earning assets to average interest-bearing liabilities			146.66%			146.66%



The following table sets forth, for the period indicated, the dollar amount of changes in interest earned and paid for interest-earning assets and interest-bearing liabilities and the amount of change attributable to changes in average daily balances (volume) or changes in interest rates (rate). The variances attributable to both the volume and rate changes have been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amount of the changes in each:

Rate/Volume Analysis of Net Interest Income			
Year ended December 31, 2016 vs. 2015			
Increases (Decreases) Due to Change In			
	Volume	Rate	Total
(Dollars in Thousands)			
<b>Increase (Decrease) in Interest Income:</b>			
Loans	\$ 5,646	\$ (1,667)	\$ 3,979
Interest-earning deposits in financial	(145)	194	49
Investment securities	(282)	73	(209)
Equity stocks - FHLB/FRB	34	58	92
Total interest income	5,253	(1,342)	3,911
<b>Increase (Decrease) in Interest</b>			
Money market and NOW accounts	249	448	697
Savings deposits	(0)	2	2
Time deposits of \$100,000 or more	112	99	211
Time deposits under \$100,000	(50)	(472)	(522)
Other borrowings	-	(5)	(5)
Total interest expense	310	73	383
Total change in net interest income	\$ 4,942	\$ (1,414)	\$ 3,528

### **Provision for Loan Losses**

Credit risk is inherent in the business of making loans. BC Bank sets aside an allowance for loan losses through charges to net income. The charges are shown on the income statements as provisions for loan losses, and specifically identifiable and quantifiable losses are immediately charged off against the allowance. The periodic loan loss provision expense is a reflection of the needed balance in the allowance for loan losses. The procedures for monitoring the adequacy of the allowance, as well as detailed information concerning the allowance itself, are included below under "Allowance for Loan Losses."

The loan loss provision decreased by \$814,000 for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The decrease in loan loss provision was primarily due to an improvement in the overall credit quality of the loan portfolio in the first year of 2016 compared to the same period in 2015.

### **Noninterest Income**

BC Bank generates noninterest income primarily from service fees on deposit accounts and other service charges and fees.

Noninterest income decreased by \$5.5 million or 80.3% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The decline in noninterest income was primarily due to the bargain purchase gain recognized in 2015 that did not recur in 2016.

### Noninterest Expense

Noninterest expense excluding core deposit premium amortization decreased by \$2.8 million or 14.4% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Noninterest expenses were higher in 2015 due to merger integration expenses that did not recur in 2016.

The following table sets forth the breakdown of noninterest expense excluding core deposits premium amortization for the years ended December 31, as indicated:

	2016		2015	
	Amount	Percent of Total	Amount	Percent of Total
(Dollars in Thousands)				
Salaries and employee benefits	\$ 10,611	64%	\$11,281	60%
Occupancy and equipment	2,147	13%	2,117	11%
Data processing	1,386	8%	2,251	12%
Legal and professional	700	4%	782	4%
Regulatory assessments	292	2%	371	2%
Loan-related costs	5	0%	464	2%
Advertising and promotion	270	2%	298	2%
Office expenses	671	4%	785	4%
Insurance costs	72	0%	72	0%
Other expenses	413	2%	480	3%
Total noninterest expense	<u>\$ 16,567</u>	<u>100%</u>	<u>\$18,901</u>	<u>100%</u>
As a percentage of average earning assets	2.61%		3.21%	
Efficiency ratio	60.67%		64.66%	

### Provision for Income Taxes

Income tax expense increased by \$2.7 million or 159.3% for the year ended December 31, 2016 as compared to the same period in 2015. The increase in income tax expense was primarily due to the increase in higher taxable income in 2016 compared to 2015. While pretax income is higher in 2015, as compared to 2016, the bargain purchase gain recognized in 2015 was not taxable.

At the end of 2016, the operating loss carryforwards were approximately \$10.9 million for federal income and \$14.2 million for California franchise tax purposes. Federal net operating loss carryforwards and California net operating loss carryforwards, to the extent not used will begin to expire in 2028.

### Market Risk/Interest Rate Risk Management

Market risk is the risk of loss from adverse changes in market prices and rates. BC Bank's market risk arises primarily from interest rate risk inherent in its lending, investment and deposit taking activities. BC Bank's profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact BC Bank's earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis. To that end, Management actively monitors and manages its interest rate risk exposure. Asset and liability management

is concerned with the timing and magnitude of the repricing of assets and liabilities. It is the objective of BC Bank to control risks associated with interest rate movements.

**Interest Rate Risk.** Interest rate risk occurs when assets and liabilities re-price at different times as interest rates change. Generally speaking, the rates of interest that BC Bank earns on its assets, and pays on its liabilities, are established contractually for specified periods of time. Market interest rates change over time and if a financial institution cannot quickly adapt to interest rate changes, it may be exposed to volatility in earnings. For instance, if BC Bank were to fund long-term fixed rate assets with short-term variable rate deposits, and interest rates were to rise over the term of the assets, the short-term variable deposits would rise in cost, adversely affecting net interest income. Similar risks exist when rate sensitive assets (for example, prime rate-based loans) are funded by longer-term fixed rate liabilities in a falling interest rate environment.

In the management of interest rate risk, BC Bank utilizes the quarterly simulation modeling to determine the sensitivity of net interest income and economic value sensitivity of the balance sheet. These techniques are complementary and are used to provide a more accurate measurement of interest rate risk.

Another form of measuring interest rate risk is gap analysis. Gap analysis measures the repricing mismatches between assets and liabilities. The interest rate sensitivity gap is determined by subtracting the amount of liabilities from the amount of assets that reprice during a particular time interval. A liability sensitive position results when more liabilities than assets reprice or mature within a given period. Conversely, an asset sensitive position results when more assets than liabilities reprice within a given period. As of December 31, 2016, BC Bank's balance sheet was slightly liability sensitive, with a negative one-year gap of \$156.3 million or 23.1% of total assets and 23.5% of earning assets. Excess amounts of non-sensitive liabilities, such as demand deposits and capital, help mitigate this slight mismatch and equalize the repricing frequency of the amount of liabilities used to fund the earning assets. When liabilities reprice more frequently than its assets over a one year horizon, the results may lower net interest income in a rising rate environment and higher net interest income in a falling rate environment.

The following table sets forth the interest rate sensitivity of BC Bank's interest-earning assets and interest-bearing liabilities as of December 31, 2016 using the interest rate sensitivity gap ratio. For purposes of the following table, an asset or liability is considered rate-sensitive within a specified period when it can be repriced or matures within its contractual terms. Actual payment patterns may differ from contractual payment patterns.

	Amounts Subject to Repricing Within					Total
	0-3 Months	3-12 Months	1-5 Years	After 5 Years	Non Sensitive	
(Dollars in Thousands)						
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 5,586	\$ 5,586
Interest-earning due from banks	124,627					124,627
Other investments	104	4,831	8,512	6,477	6,470	26,393
FHLB and FRB stock	3,922					3,922
Loans	146,631	22,533	237,372	101,814	-	508,350
Loan loss reserve					(3,775)	(3,775)
Other assets					10,470	10,470
Total assets	\$ 275,284	\$ 27,364	\$ 245,883	\$ 108,291	\$ 18,752	\$ 675,574
<b>Liabilities</b>						
Deposit:						
Demand deposit	\$ 7,212	\$ 16,431	\$ 56,973	\$ 48,070	\$ -	\$ 128,685
Interest-bearing savings deposits	13,244					13,244
Time deposits of \$100,000 or more	22,478	96,310	23,739			142,527
Other time deposits	3,945	11,337	3,048			18,330
Money market and NOW accounts	287,973					287,973
FHLB borrowings						-
Accrued interest payable						-
Other liabilities					6,752	6,752
Total liabilities	334,851	124,078	83,760	48,070	6,752	597,511
Shareholders' equity	-	-	-	-	78,063	78,063
Total liabilities and shareholders' equity	\$ 334,851	\$ 124,078	\$ 83,760	\$ 48,070	\$ 84,815	\$ 675,574
Interest rate sensitivity gap	\$ (59,567)	\$ (96,714)	\$ 162,123	\$ 60,221	\$ (66,064)	
Cumulative interest rate sensitivity gap	(59,567)	(156,281)	5,843	66,064	-	
as % of total assets	-8.8%	-23.1%	0.9%	9.8%	0.0%	
as % of earning assets	-8.9%	-23.5%	0.9%	9.9%	0.0%	

## Liquidity and Capital Resources

**Liquidity.** Liquidity is BC Bank's ability to maintain sufficient cash flow to meet deposit withdrawals and loan demands and to take advantage of investment opportunities as they arise. BC Bank's principal sources of liquidity have been growth in deposits, proceeds from the maturity of securities, and prepayments from loans. BC Bank maintained \$128.7 million in cash and due from banks as of December 31, 2016. To supplement its primary sources of liquidity, BC Bank maintains contingent funding sources, which include both secured and unsecured lines of credit. BC Bank had \$152.0 million in available funding from a secured line of credit at the Federal Home Loan Bank of San Francisco and unsecured lines of credit at Pacific Coast Bankers' Bank and The Independent Bankers Bank totaling \$20.0 million at December 31, 2016.

**Capital Resources.** Shareholders' equity as of December 31, 2016 was \$78.1 million compared to \$72.4 million as of December 31, 2015. Another source of increases in capital has been retained earnings. BC Bank is committed to maintaining capital at a level sufficient to assure shareholders, customers and

regulators that BC Bank is financially sound and able to support its growth from its retained earnings. BC Bank is subject to risk-based capital regulations adopted by the federal banking regulators. These guidelines are used to evaluate capital adequacy and are based on an institution's asset risk profile and off-balance sheet exposures. The risk-based capital guidelines assign risk weightings to assets both on and off-balance sheet and place increased emphasis on common equity.

To be categorized as Well Capitalized, BC Bank and the BayCom Corp must maintain minimum total risk based, Tier I risk-based, Common Equity Tier 1 and Tier I leverage ratios as set forth below:

(Dollars in Thousands)	December 31, 2016		December 31, 2015	
	<u>Dollars</u>	<u>Ratio</u>	<u>Dollars</u>	<u>Ratio</u>
<b>Leverage Ratio:</b>				
Bay Commercial Bank	\$ 72,937	10.60%	\$ 66,628	10.60%
Minimum requirement for "Well-Capitalized"	34,327	5.00%	31,466	5.00%
Minimum regulatory requirement	27,461	4.00%	25,173	4.00%
<b>Common Equity Tier 1 Ratio:</b>				
Bay Commercial Bank	\$ 72,937	13.40%	\$ 66,628	13.30%
Minimum requirement for "Well-Capitalized"	35,298	6.50%	32,560	6.50%
Minimum regulatory requirement	24,437	4.50%	22,541	4.50%
<b>Tier 1 Risk-Based Capital Ratio:</b>				
Bay Commercial Bank	\$ 72,937	13.40%	\$ 66,628	13.30%
Minimum requirement for "Well-Capitalized"	43,444	8.00%	40,074	8.00%
Minimum regulatory requirement	32,583	6.00%	30,055	6.00%
<b>Total Risk-Based Capital Ratio:</b>				
Bay Commercial Bank	\$ 76,992	14.20%	\$ 70,758	14.10%
Minimum requirement for "Well-Capitalized"	54,305	10.00%	50,092	10.00%
Minimum regulatory requirement	43,444	8.00%	40,074	8.00%

All of BC Bank's capital ratios were above the minimum regulatory requirements for a "well capitalized" institution.

**Contractual Obligations.** As of December 31, 2016, BC Bank had contractual obligations for the following payments, by type and period due:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
(Dollars in Thousands)					
Long-term obligations	\$ 3,465	\$ 1,386	\$ 2,079	\$ -	\$ -
Operating Lease obligations	5,718	1,281	2,297	1,411	729
Total	\$ 9,183	\$ 2,667	\$ 4,376	\$ 1,411	\$ 729

**Impact of Inflation.** The impact of inflation on a financial institution differs significantly from such impact on other companies. Banks, as financial intermediaries, have assets and liabilities that tend to move in concert with inflation both as to interest rates and value. A bank can reduce the impact of inflation if it can manage its interest rate sensitivity gap. BC Bank attempts to structure its mix of financial instruments and manage its interest rate sensitivity gap in order to minimize the potential adverse effects of inflation or other market forces on its net interest income and therefore its earnings and capital. See “Market Risk/Interest Rate Risk Management.” Inflation has been moderate for the last several years and has had little or no effect on the financial condition and results of operations of BC Bank during the periods covered in this Joint Proxy Statement/Offering Circular.

## **Financial Condition**

### **Summary**

Since December 31, 2015 BC Bank has experienced growth in total assets, loans and deposits. Total assets increased to \$675.3 million as of December 31, 2016 compared to \$623.3 million as of December 31, 2015, representing a total increase during this period of 8.3%. Total loans increased to \$508.4 million as of December 31, 2016 compared to \$464.4 million as of December 31, 2015, representing a total increase during this period of 9.5%. Total deposits increased to \$590.8 million as of December 31, 2016 compared to \$543.3 million as of December 31, 2015, representing a total increase during this period of 8.7%.

### **Loan Portfolio**

BC Bank’s loan portfolio represents the largest single portion of invested assets, substantially greater than the investment portfolio or any other asset placement category. The quality and diversification of BC Bank’s loan portfolio are important considerations when reviewing BC Bank’s results of operations.

Total gross loans increased to \$508.4 million as of December 31, 2016 compared to \$464.4 million on as of December 31, 2015 representing a total increase of \$44.0 million or 9.5%. Construction and Land and Commercial Real Estate lending experienced the most growth during this period between December 31, 2016 and December 31, 2015. Construction and Land lending increased by \$529,000 or 2.8%, and Commercial Real Estate lending increased by \$41.0 million or 12.0%.

The following table sets forth the composition of BC Bank's loan portfolio as of December 31, for the years indicated:

	2016		2015	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in		Thousands)	
Commercial	\$ 71,093	14%	\$ 71,380	15%
Construction and land	19,745	4%	19,217	4%
Commercial real estate	384,278	76%	343,232	74%
Residential real estate	31,917	6%	29,603	6%
Consumer	1,317	0%	967	0%
Total loans	<u>508,350</u>		<u>464,399</u>	
Less:				
Deferred loan costs net of deferred loan fees	(311)		(342)	
Allowance for loan losses	<u>(3,775)</u>		<u>(3,850)</u>	
Total net loans	<u>\$ 504,264</u>		<u>\$ 460,207</u>	

**Off-Balance Sheet Commitments.** During the ordinary course of business, BC Bank will provide various forms of credit lines to meet the financing needs of its customers. These commitments to provide credit represent an obligation of BC Bank to its customers which is not represented in any form within the balance sheets of BC Bank. These commitments represent a credit risk to BC Bank.

The effect on BC Bank's revenues, expenses, cash flows and liquidity from the unused portion of the commitments to provide credit cannot be reasonably predicted because there is no guarantee that the lines of credit will ever be used.

Unused credit commitments decreased to \$68.9 million as of December 31, 2016, compared to \$92.7 million as of December 31, 2015, representing a total decrease during this period of 25.7%.

For more information regarding BC Bank's off-balance sheet arrangements, see Note 11- to BC Bank's audited financial statements included in Appendix F hereto.

**Loan Maturities and Sensitivity to Changes in Interest Rates.** The following table shows the maturity distribution and repricing intervals of BC Bank's outstanding loans as of December 31, 2016. In addition, the table shows the distribution of such loans between those with variable or floating interest rates and those with fixed or predetermined interest rates.

The following table excludes net unearned fees/expenses totaling \$311,000.

	Within One Year	After One By Within Five Years	After Five Years	Total
(Dollars in Thousands)				
Real estate:				
Construction	\$ 15,511	\$ 4,138	\$ 96	\$ 19,745
Residential	7,398	6,349	8,323	22,070
Home equity	9,698	149	-	9,847
Multifamily	3,835	27,050	7,351	38,236
Commercial – owner occupied	28,680	50,255	51,399	130,334
Commercial – non-owner occupied	48,042	125,906	21,805	195,753
Commercial and industrial	43,976	14,694	10,705	69,375
Consumer	1,317	-	-	1,317
Agriculture / Real Estate Agriculture	10,707	8,831	2,135	21,673
Total Loans	<u>\$ 169,164</u>	<u>\$ 237,372</u>	<u>\$ 101,814</u>	<u>\$ 508,350</u>
Loans with variable (floating) interest rates	152,180	177,486	26,170	355,837
Loans with predetermined (fixed) interest rates	16,984	59,886	75,644	152,513

### Nonperforming Assets

Nonperforming assets are comprised of loans on nonaccrual status, loans 90 days or more past due but not on nonaccrual status, loans restructured where the terms of repayment have been renegotiated resulting in a reduction or deferral of interest or principal, and OREO (Other Real Estate Owned). Management generally places loans on nonaccrual status when they become 90 days past due, unless they are both fully secured and in process of collection. Loans may be restructured by Management when a borrower has experienced some change in financial status causing an inability to meet the original repayment terms, where BC Bank believes the borrower will eventually overcome those circumstances and repay the loan in full. OREO consists of real property acquired through foreclosure or similar means that Management intends to offer for sale.

Management's classification of a loan as nonaccrual or restructured is an indication that there is reasonable doubt as to the full collectability of principal or interest on the loan. At this point, BC Bank stops recognizing income from the interest on the loan and reverses any uncollected interest that had been accrued but unpaid. If the loan deteriorates further due to a borrower's bankruptcy or similar financial problems, unsuccessful collection efforts or a loss classification by regulators or auditors, the remaining balance of the loan is then charged off. These loans may or may not be collateralized, but collection efforts are continuously pursued.

BC Bank had \$1.1 million in nonperforming loans as of December 31, 2016 compared to \$0.3 million as of December 31, 2015. Nonperforming loans as a percentage of total loans were 0.2% as of December 31, 2016, and 0.1% as of December 31, 2015.

### Potential Problem Loans

As of December 31, 2016, there were \$7.6 million of loans with well-defined weaknesses that could jeopardize the liquidation of the debt. These loans are characterized by the distinct possibility that BC Bank will sustain some loss if the deficiencies are not corrected. The potential loss does not have to be



recognizable in an individual credit for that credit to be risk rated substandard or doubtful. A loan can be fully and adequately secured and still be considered substandard.

### **Allowance For Loan Losses**

The allowance for loan losses reflects management's judgment of the level of allowance adequate to provide for probable losses inherent in the loan portfolio as of the balance sheet date. On a quarterly basis, BC Bank assesses the overall adequacy of the allowance for loan losses, utilizing a disciplined and systematic approach which includes the application of a specific allowance for identified impaired or troubled loans and a general allowance for unimpaired loans. The general allowance is based on management estimates using historical losses and qualitative factors applied to each portfolio class of loans. The qualitative factors include economic and industry trends, estimated collateral values, underwriting policies, concentrations, and the character of the loan portfolio. Specific allowances and the general allowance for loan losses attributable to each portfolio class are combined to determine BC Bank's overall allowance for loan losses. As of December 31, 2016, BC Bank had \$45,500 in specific allowance for loan losses.

The table below summarizes the activity in BC Bank's allowance for loan losses for the periods ended December 31, as indicated:

	<u>2016</u>	<u>2015</u>
	(Dollars in Thousands)	
<b>Balances:</b>		
Average total loans outstanding during period	\$ 493,091	\$ 395,047
Total loans outstanding at end of period	508,350	460,608
<b>Allowance for Loan Losses:</b>		
Balance at the beginning of the period	\$ 3,850	\$ 2,500
Charge-offs:		
Real Estate	250	-
Commercial and industrial	490	96
Consumer	-	13
Total charge-offs	<u>740</u>	<u>109</u>
Recoveries:		
Real Estate	-	-
Commercial and industrial	55	47
Consumer	12	-
Total recoveries	<u>67</u>	<u>47</u>
Net loan charge-offs (recoveries)	<u>673</u>	<u>62</u>
Provision for loan losses	<u>598</u>	<u>1,412</u>
Balance at end of period	<u><u>\$ 3,775</u></u>	<u><u>\$ 3,850</u></u>
<b>Ratios:</b>		
Net loan charge-offs to average total loans	0.01%	0.02%
Provision for loan losses to average total loans	0.12%	0.36%
Allowance for loan losses to gross loans at end of period	0.74%	0.84%
Allowance for loan losses to total nonperforming loans	346.33%	1152.69%
Net loan charge-offs to allowance for loan losses at end of period	1.77%	1.61%
Net loan charge-offs to provision for loan losses	11.20%	4.39%

Allowance for loan losses decreased to \$3.8 million as of December 31, 2016 compared to \$3.9 million as of December 31, 2015. The allowance of loan loss as a percentage of outstanding loans was 0.7% as of December 31, 2016 compared to 0.8% as of December 31, 2015. BC Bank had \$2.9 million in special mention, \$6.5 million in performing substandard, or \$1.1 million nonperforming loans as of December 31, 2016.

Management is committed to maintaining the allowance for loan losses at a level that is considered to be commensurate with estimated and known risks in the portfolio. Although the adequacy of the allowance is reviewed quarterly, management performs an ongoing assessment of the risks inherent in the portfolio. Real estate is the principal collateral for BC Bank's loans. As of December 31, 2016, management believed the allowance to be adequate based on its assessment of the estimated and known risks in the portfolio. However, no assurance can be given that economic conditions which adversely affect our service areas or other circumstances will not be reflected in increased provisions for loan losses in the future.

The following table provides a breakdown of the allowance for loan losses by category as of the dates indicated:

	2016		2015	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	(Dollars in thousands)			
Allowance for loan losses related to:				
Real estate loans	\$ 2,760	73.11%	\$ 2,429	63.09%
Commercial loans	1,011	26.78%	1,418	36.83%
Other loans	4	0.11%	3	0.08%
Total allowance for loan losses	<u>\$ 3,775</u>	<u>100.00%</u>	<u>\$ 3,850</u>	<u>100.00%</u>

### **Investment Securities Portfolio**

The main objectives of BC Bank's investment portfolio are to support a sufficient level of liquidity while providing means to manage the interest rate risk, and to generate an adequate level of interest income without taking undue risks.

BC Bank own \$13.9 million in investments as of December 31, 2016 compared to \$23.6 million as of December 31, 2015.

### **Deposits**

Deposits are BC Bank's primary source of funds. Total deposits as of December 31, 2016 were \$590.8 million compared to \$543.3 million as of December 31, 2015.

Our deposits are generated through core customer relationships, related predominantly to business relationships, deposit listing services and third party deposit placement services. Noninterest-bearing deposits declined by \$23.3 million or 15.3% from December 31, 2015 to December 31, 2016. Noninterest-bearing demand deposits represented 21.8% of total deposits as of December 31, 2016 compared to 28.0% of total deposits as of December 31, 2015. Interest bearing deposits grew by \$70.8 million or 18.1% from December 31, 2015 to December 31, 2016. As of December 31, 2016 and 2015, interest-bearing deposits held in NOW, savings, and money market accounts represented 50.9% and 48.7% of total deposits, respectively. Time deposits represented 27.3% of total deposits as of December 31, 2016 compared to 23.3% of total deposits as of December 31, 2015.

The following tables summarize the distribution of average daily deposits and the average daily rates paid for the periods indicated:

	2016		2015	
	Average Balance	Average Rate	Average Balance	Average Rate
Demand, noninterest-bearing	\$ 149,364	0.00%	\$ 147,167	0.00%
Money market and NOW accounts	268,233	0.59%	225,838	0.39%
Savings	13,694	0.15%	13,978	0.14%
Time certificates of deposit in denominations of \$100,000 or more	118,536	1.16%	108,889	1.07%
Other time certificates of deposit	17,846	0.59%	26,341	2.38%
<b>Total deposits</b>	<b>\$ 567,673</b>	<b>0.54%</b>	<b>\$ 522,213</b>	<b>0.51%</b>

The following table sets forth the scheduled maturities of BC Bank's time deposits in denominations of \$100,000 or greater as of the dates indicated:

	December 31, 2016	December 31, 2015
	(Dollars in Thousands)	
Six months or less	\$ 47,923	\$ 28,870
Over six months through twelve months	70,865	36,938
Over twelve months	23,739	36,326
<b>Total</b>	<b>\$ 142,527</b>	<b>\$ 102,134</b>

## SUPERVISION AND REGULATION OF BAYCOM CORP AND BC BANK

BayCom Corp and BC Bank are subject to significant regulation by federal and state laws and regulations, and the policies of applicable federal and state banking agencies. The following discussion of particular statutes and regulations affecting BayCom Corp and BC Bank is only a brief summary and does not purport to be complete. This discussion is qualified in its entirety by reference to such statutes and regulations. No assurance can be given that such statutes or regulations will not change in the future.

There are also a variety of federal statutes that restrict the acquisition of control of banks.

### Regulation of BayCom Corp--General

BayCom Corp is a registered bank holding company under the Bank Holding Company Act of 1956, as amended, and is regulated by the Federal Reserve Board (the "FRB"). BayCom Corp is required to file periodic reports with the FRB and such additional information as the FRB Board may require pursuant to the Bank Holding Company Act. The FRB may conduct examinations of BayCom Corp and its subsidiaries, which include BC Bank.

The Bank Holding Company Act requires every bank holding company to obtain the prior approval of the FRB before acquiring substantially all the assets of any bank or bank holding company or ownership or control of any voting shares of any bank or bank holding company, if, after the acquisition, it would own or control, directly or indirectly, more than 5% of the voting shares of the bank or bank holding company.

BayCom Corp will be prohibited by the Bank Holding Company Act, except in statutorily prescribed instances, from acquiring direct or indirect ownership or control of more than 5% of the outstanding voting shares of any company that is not a bank or bank holding company and from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to its subsidiaries. However, BayCom Corp, subject to notification or the prior approval of the FRB, as applicable in each specific case, may engage in any, or acquire shares of companies engaged in, activities that are deemed by the FRB to be “so closely related to banking” or managing or controlling banks as to be a “proper incident thereto.”

In approving acquisitions by bank holding companies of companies engaged in banking-related activities, the FRB considers whether the performance of any activity by a subsidiary of the holding company reasonably can be expected to produce benefits to the public, including greater convenience, increased competition, or gains in efficiency, which outweigh possible adverse effects, including over-concentration of resources, decrease of competition, conflicts of interest, or unsound banking practices.

Although BayCom Corp has no present intention to do so, at some point in the future it may file an election with the FRB to become a “financial holding company.” Unlike a bank holding company, a financial holding company may engage in a broad range of activities that are deemed by the FRB as “financial in nature or incidental” to financial activities. Moreover, even in the case where an activity cannot meet that test, the FRB may approve the activity if the proposed activity is “complementary” to financial activities and does not pose a risk to the safety and soundness of depository institutions.

The FRB has adopted capital adequacy guidelines for bank holding companies on a consolidated basis substantially similar to those currently applicable to BC Bank. Regulations and policies of the FRB also require a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. It is the FRB’s policy that a bank holding company should stand ready to use available resources to provide adequate capital funds to a subsidiary bank during periods of financial stress or adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting a subsidiary bank. Under certain conditions, the FRB may conclude that certain actions of a bank holding company, such as a payment of a cash dividend, would constitute an unsafe and unsound banking practice.

Transactions between BayCom Corp, BC Bank and its 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 BC Bank from making extensions of credit to, or the issuance of a guarantee or letter of credit on behalf of, BayCom Corp, 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 BayCom Corp or other affiliates. Such restrictions and limitations prevent BayCom Corp or other affiliates from borrowing from BC Bank unless the loans are secured by marketable obligations of designated amounts. Furthermore, such secured loans and investments by BC Bank to BayCom Corp or to 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 BC Bank than those that would be available from nonaffiliated third parties.

### **Regulation of Bay Commercial Bank--General**

As a California state-chartered commercial bank that is a member of the Federal Reserve System, BC Bank is regulated, supervised and examined by the DBO as its chartering authority, the FRB as its primary federal regulator, and to a limited extent, by the FDIC as its deposit insurer. The regulations of the DBO, the FRB and the FDIC govern most aspects of the business of BC Bank, including the making of periodic reports, as well as dividends, investments, loans, borrowings, capital requirements, certain check-clearing activities, branching, mergers and acquisitions, reserves against deposits, the issuance of securities

and numerous other areas. BC Bank is also subject to the requirements and restrictions of various consumer laws and regulations, as well as certain provisions of California law, insofar as they do not conflict with, or are not preempted by, federal banking laws. Supervision, legal action and examination of BC Bank by the regulatory agencies are generally intended to protect depositors and are not intended for the protection of our shareholders.

BC Bank's deposits are insured by the FDIC to the maximum amount permitted by law, which is currently \$250,000 per depositor.

On February 7, 2011, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the FDIC approved a rule that changed the FDIC insurance assessment base from adjusted domestic deposits to average consolidated total assets minus average tangible equity, defined as Tier 1 capital. The new rule lowered assessment rates to between 2.5 and 9 basis points on the broader base for banks in the lowest risk category, and 30 to 45 basis points for banks in the highest risk category. The change was effective beginning with the second quarter of 2011. Since BC Bank has a solid core deposit base, does not rely heavily on borrowings and brokered deposits and maintains high asset quality, the benefit of the lower assessment rate significantly outweighed the effect of a wider assessment base.

## **Laws and Regulations**

***Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.*** On July 21, 2010, President Obama signed into law the Dodd-Frank Act, a landmark financial reform bill comprised of a massive volume of new rules and restrictions that impact banks. It includes key provisions aimed at preventing a repeat of the 2008 financial crisis and a new process for winding down failing, systemically important institutions in a manner as close to a controlled bankruptcy as possible. The Act includes other key provisions as follows:

(1) The Dodd-Frank Act established a new Financial Stability Oversight Council to monitor systemic financial risks. The FRB was given extensive authority to impose strict controls on large bank holding companies with total consolidated assets equal to or in excess of \$50 billion and systemically significant nonbank financial companies to limit the risk they might pose for the economy and to other large interconnected companies. The FRB can also take direct control of troubled financial companies that are considered systemically significant.

(2) The Dodd-Frank Act created a new process to liquidate failed financial firms in an orderly manner, including giving the FDIC broader authority to operate or liquidate a failing financial company.

(3) The Dodd-Frank Act established a new independent Federal regulatory body for consumer protection within the Federal Reserve System known as the Bureau of Consumer Financial Protection (the "Bureau"), which assumed responsibility for most federal consumer protection laws (except the Community Reinvestment Act).

(4) The Dodd-Frank Act changed the FDIC assessment.

(5) The Dodd-Frank Act placed certain limitations on investment and other activities by insured depository institutions, their holding companies and their affiliates, including comprehensive regulation of all over-the-counter derivatives.

(6) The Dodd-Frank Act authorized the FRB to regulate interchange fees on debit card and certain general-use prepaid card transactions paid to issuing banks with assets in excess of \$10 billion to ensure that they are "reasonable and proportional" to the cost of processing individual transactions, and to prohibit debit and general-use prepaid payment card networks and issuers from requiring transactions to be processed on a single payment network.

***Federal Deposit Insurance Corporation Improvement Act of 1991.*** Congress enacted the Federal Deposit Insurance Corporation Improvement Act of 1991, or FDICIA, in December 1991.

FDICIA establishes five categories of capitalization: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized.” If a bank falls in the “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized” categories, it will be subject to significant enforcement actions by its primary federal regulator. See “—Enforcement Powers – Corrective Measures for Capital Deficiencies” below.

FDICIA also grants the federal banking agencies to prescribe standards relating to internal controls, credit underwriting, asset growth and compensation, among others, and requires the regulatory agencies to promulgate regulations prohibiting excessive compensation or fees. Many regulations have been adopted by the regulatory agencies to implement these provisions and subsequent legislation gives the regulatory agencies the option of prescribing the safety and soundness standards as guidelines rather than regulations. As previously noted, FDICIA places restrictions on certain bank activities authorized under state law. FDICIA generally restricts activities through subsidiaries to those permissible for national banks, thereby effectively eliminating real estate investment powers. Insurance activities are also limited, except to the extent permissible for national banks.

***USA Patriot Act.*** The United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA Patriot Act, was signed into law on October 26, 2001. The USA Patriot Act requires financial institutions to implement and follow procedures designed to help prevent, detect and prosecute international money laundering and the financing of terrorism. Title III of the USA Patriot Act is the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, or the IMLAFATA. In general, the IMLAFATA amends current law, primarily the Bank Secrecy Act (see “—Bank Secrecy Act,” below), to authorize the Secretary of the Treasury, in consultation with the heads of other government agencies, to adopt special measures applicable to banks, bank holding companies and other financial institutions including enhanced record-keeping and reporting requirements for certain financial transactions that are of primary money laundering concern, due diligence requirements concerning the beneficial ownership of certain types of accounts, and restrictions or prohibitions on certain types of accounts with foreign financial institutions. Among its other provisions, the IMLAFATA requires financial institutions to: (i) establish an anti-money laundering program; (ii) establish due diligence policies, procedures and controls with respect to private banking accounts and correspondent banking accounts involving foreign individuals and certain foreign banks; and (iii) avoid establishing, maintaining, administering or managing correspondent accounts in the U.S. for, or on behalf of, a foreign bank that does not have a physical presence in any country. In addition, the IMLAFATA contains a provision encouraging cooperation among financial institutions, regulatory authorities and law enforcement authorities with respect to individuals, entities and organizations engaged in, or reasonably suspected of engaging in, terrorist acts or money laundering activities. The IMLAFATA expands the circumstances under which deposited funds may be forfeited and requires covered financial institutions to respond under certain circumstances to requests for information from federal banking agencies within 120 hours. The IMLAFATA also amends the BHCA and the Bank Merger Act to require the federal banking agencies to consider the effectiveness of a financial institution’s anti-money laundering activities when reviewing an application under these Acts.

***Bank Secrecy Act.*** The Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970, or the Bank Secrecy Act, is a disclosure law that forms the basis of the U.S. federal government’s framework to prevent and detect money laundering and to deter other criminal enterprises. Following the September 11, 2001 terrorist attacks, an additional purpose was added to the Bank Secrecy Act: “To assist in the conduct of intelligence or counter-intelligence activities, including analysis, to protect against international terrorism.” Under the Bank Secrecy Act, financial institutions are required to maintain certain records and file certain reports regarding domestic currency transactions and cross-border transportations of currency. This, in turn, allows law enforcement officials to create a paper

trail for tracing illicit funds that resulted from drug trafficking or other criminal activities. Among other requirements, the Bank Secrecy Act requires financial institutions to report imports and exports of currency in excess of \$10,000 and, in general, all cash transactions in excess of \$10,000. Each of BC Bank and UB Bank have established a Bank Secrecy Act compliance policy under which, among other precautions, they keep currency transaction reports to document cash transactions in excess of \$10,000 or in multiples totaling more than \$10,000 during one business day, monitor certain potentially suspicious transactions such as the exchange of a large number of small denomination bills for large denomination bills, and scrutinize electronic funds transfers for Bank Secrecy Act compliance.

***Community Reinvestment Act.*** BC Bank is subject to the provisions of the Community Reinvestment Act (“CRA”), under which all banks and thrifts have a continuing and affirmative obligation, consistent with safe and sound operations, to help meet the credit needs of their entire communities, including low and moderate income neighborhoods. The act requires a depository institution’s primary federal regulator, in connection with its examination of the institution, to assess the institution’s record in meeting the requirements of the CRA. The regulatory agency’s assessment of the institution’s record is made available to the public. The record is taken into consideration when the institution establishes a new branch that accepts deposits, relocates an office, applies to merge or consolidate, or expands into other activities. BC Bank’s CRA performance is evaluated by the FRB. After the FRB’s last CRA performance examination BC Bank we received a rating of “Satisfactory.”

***Capital Requirements.*** The federal banking agencies have adopted risk-based capital guidelines for banks. Undercapitalized depository institutions may be subject to significant restrictions. Payment of interest and principal on subordinated debt of a bank could be restricted or prohibited, with some exceptions, if the bank were categorized as “critically undercapitalized” under applicable regulations.

In December 2010, the Basel Committee on Bank Supervision finalized a set of international guidelines for determining regulatory capital known as “Basel III.” These guidelines were developed to address many of the weaknesses in the banking industry that contributed to the past financial crisis, including excessive leverage, inadequate and low-quality capital and insufficient liquidity buffers. In July 2013, the FRB, the FDIC and the Office of the Comptroller of the Currency, finalized a rule to implement Basel III and certain provisions of the Dodd-Frank Act. The rule is subject to a phase-in period which began January 2015, and all the changes should be implemented by January 2019. The guidelines, among other things, increase minimum capital requirements of bank holding companies, including increasing the Tier 1 capital to risk-weighted assets ratio to 6%, introducing a new requirement to maintain a minimum ratio of common equity Tier 1 capital to risk-weighted assets of 4.5%, and in 2019, when fully phased in, a capital conservation buffer of an additional 2.5% of risk-weighted assets. In addition, there have been several updates to the way risk-weighted assets are assessed.

***Risk-Based Capital Guidelines.*** The federal banking agencies have issued risk-based capital guidelines that include a definition of capital and a framework for calculating risk weighted assets by assigning assets and off-balance sheet items to broad credit risk categories. A bank’s risk-based capital ratio is calculated by dividing its qualifying total capital (the numerator of the ratio) by its risk-weighted assets (the denominator of the ratio).

A bank’s qualifying total capital consists of two types of capital components: “core capital elements” (comprising Tier 1 capital) and “supplementary capital elements” (comprising Tier 2 capital). The Tier 1 component of a bank’s qualifying capital must represent at least 50% of qualifying total capital and may consist of the following items that are defined as core capital elements: (i) common shareholders’ equity; (ii) qualifying noncumulative perpetual preferred stock (including related surplus); and (iii) minority interest in the equity accounts of consolidated subsidiaries. The Tier 2 component of a bank’s qualifying total capital may consist of the following items: (i) allowance for loan and lease losses (subject to limitations); (ii) perpetual preferred stock and related surplus (subject to conditions); (iii) hybrid capital



instruments (as defined) and mandatory convertible debt securities; and (iv) term subordinated debt and intermediate-term preferred stock, including related surplus (subject to limitations).

Assets and credit equivalent amounts of off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of collateral. The aggregate dollar value of the amount in each category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are added together, and this sum is the bank's total risk weighted assets that comprise the denominator of the risk-based capital ratio.

A two-step process determines risk weights for all off-balance sheet items. First, the "credit equivalent amount" of off-balance sheet items is determined, in most cases by multiplying the off-balance sheet item by a credit conversion factor. Second, the credit equivalent amount is treated like any balance sheet asset and generally is assigned to the appropriate risk category according to the obligor or, if relevant, the guarantor or the nature of the collateral. All banks are required to meet a minimum ratio of qualifying total capital to risk weighted assets of 8%, of which at least 4% should be in the form of Tier 1 capital.

***Leverage Ratio Capital Requirement.*** The regulatory agencies have adopted leverage requirements that apply in addition to the risk-based capital requirements. Under these requirements, banks are required to maintain Tier 1 capital of at least 3% of their assets. However, an institution may be required to maintain Tier 1 capital of at least 4% or 5% or possibly higher, depending upon its activities, risks, rate of growth, and other factors deemed material by regulatory authorities.

***Corrective Measures for Capital Deficiencies.*** The prompt corrective action regulations, which were promulgated to implement certain provisions of FDICIA, also effectively impose capital requirements on banks, by subjecting banks with less capital to increasingly stringent supervisory actions. For purposes of the prompt corrective action regulations, a bank is "undercapitalized" if it has a total risk-based capital ratio of less than 8%; a Tier 1 risk-based capital ratio of less than 4%; or a leverage ratio of less than 4% (or less than 3% if the bank has received a composite rating of 1 in its most recent examination report and is not experiencing significant growth). A bank is "adequately capitalized" if it has a total risk-based capital ratio of 8% or higher; a Tier 1 risk-based capital ratio of 4% or higher; a leverage ratio of 4% or higher (3% or higher if the bank was rated a composite 1 in its most recent examination report and is not experiencing significant growth); and does not meet the criteria for a "well capitalized" bank. A bank is "well capitalized" if it has a total risk-based capital ratio of 10% or higher; a Tier 1 risk-based capital ratio of 6% or higher; a leverage ratio of 5% or higher; and is not subject to any written requirement to meet and maintain any higher capital level(s).

Under the provisions of FDICIA and the prompt corrective action regulations, for example, an "undercapitalized" bank is subject to a limit on the interest it may pay on deposits. Also, an undercapitalized bank cannot make any capital distribution, including paying a dividend (with some exceptions), or pay any management fee (other than compensation to an individual in his or her capacity as an officer or employee of the bank). Such a bank also must submit a capital restoration plan to its primary federal regulator for approval, restrict total asset growth and obtain regulatory approval prior to making any acquisition, opening any new branch office or engaging in any new line of business. Additional broad regulatory authority is granted with respect to "significantly undercapitalized" banks, including forced mergers, ordering new elections for directors, forcing divestiture by its holding company, if any, requiring management changes, and prohibiting the payment of bonuses to senior management. Additional mandatory and discretionary regulatory actions apply to "significantly undercapitalized" and "critically undercapitalized" banks, the latter being a bank with capital at or less than 2%. The primary federal regulator may appoint a receiver or conservator for a "critically undercapitalized" bank after 90 days, even if the bank is still solvent. Failure of a bank to maintain the required capital could result in such bank being declared insolvent and closed.

***Restrictions on Transactions with Insiders.*** Sections 23A and 23B of the Federal Reserve Act regulate transactions between insured depository institutions and their "affiliates" as well as transactions

by a bank that benefits its affiliates. For these purposes, an “affiliate” is a company under common control with the bank. In general, Section 23A imposes limits on the dollar amount of such transactions and also requires certain levels of collateral for loans to affiliates. Section 23B of the Federal Reserve Act generally requires that certain transactions between a bank and its affiliates be on terms substantially the same, or at least as favorable to the bank, as those prevailing at the time for comparable transactions with or involving nonaffiliated persons or entities.

The restrictions on loans to directors, executive officers, principal shareholders and their related interests (collectively referred to as “Insiders”), contained in the Federal Reserve Act and in Regulation O promulgated thereunder apply to all federally insured depository institutions and their subsidiaries and holding companies. These restrictions include limits on loans to one borrower and conditions that must be met before such loans can be made. The Federal Reserve Act also places an aggregate limitation on all loans to Insiders and their related interests. These loans cannot exceed the institution’s total unimpaired capital and surplus, and the FRB may determine that a lesser amount is appropriate. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions.

***Privacy and Data Security.*** The Gramm-Leach Bliley Act (“GLBA”) of 1999 imposes requirements on financial institutions with respect to consumer privacy. The GLBA generally prohibits disclosure of consumer information to non-affiliated third parties unless the consumer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to consumers annually. The GLBA also directs federal regulators, including the FDIC, to prescribe standards for the security of consumer information. BC Bank is subject to such standards, as well as standards for notifying consumers in the event of a security breach. BC Bank must disclose its privacy policy to consumers and permit consumers to “opt out” of having non-public customer information disclosed to third parties. BC Bank is required to have an information security program to safeguard the confidentiality and security of customer information and to ensure proper disposal of information that is no longer needed. Customers must be notified when unauthorized disclosure involves sensitive customer information that may be misused.

## **Enforcement Powers**

The federal banking agencies have broad and strong enforcement authority reaching a wide range of persons and entities. Some of these provisions include those which: (i) establish a broad category of persons subject to enforcement under the Federal Deposit Insurance Act; (ii) establish broad authority for the issuance of cease and desist orders and provide for the issuance of temporary cease and desist orders; (iii) provide for the suspension and removal of wrongdoers on an industry-wide basis; (iv) prohibit the participation of persons suspended or removed or convicted of a crime involving dishonesty or breach of trust from serving in another insured institution; (v) require regulatory approval of new directors and senior executive officers in certain cases; (vi) provide protection from retaliation against “whistleblowers” and establish rewards for “whistleblowers” in certain enforcement actions resulting in the recovery of money; (vii) require the regulators to publicize all final formal enforcement orders; (viii) require each insured financial institution to provide its independent auditor with its most recent Report of Condition, or a Call Report; (ix) permit the imposition of significant penalties for failure to file accurate and timely Call Reports; and (x) provide for the assessment of significant civil money penalties and the imposition of civil and criminal forfeiture and other civil and criminal fines and penalties.

## **Consumer Protection Laws and Regulations**

The federal banking agencies and the state attorneys’ general are focusing greater attention on compliance with consumer protection laws and their implementing regulations. Examination and enforcement have become more intense in nature, and insured institutions have been advised to monitor carefully compliance with such laws and regulations. Each of the banks is subject to many federal and state

consumer protection and privacy statutes and regulations. Some of the relevant federal statutes are discussed below.

The Equal Credit Opportunity Act generally prohibits discrimination in any credit transaction, whether for consumer or business purposes, on the basis of race, color, religion, national origin, sex, marital status, age (except in limited circumstances), receipt of income from public assistance programs, or good faith exercise of any rights under the Consumer Credit Protection Act.

The Truth in Lending Act is designed to ensure that credit terms are disclosed in a meaningful way so that consumers may compare credit terms more readily and knowledgeably. As a result of the Truth in Lending Act, all creditors must use the same credit terminology to express rates and payments, including the annual percentage rate, the finance charge, the amount financed, the total of payments and the payment schedule, among other things.

The Fair Housing Act regulates many practices, including making it unlawful for any lender to discriminate in its housing-related lending activities against any person because of race, color, religion, national origin, sex, handicap or familial status. A number of lending practices have been found by the courts to be, or may be considered, illegal under the Fair Housing Act, including some that are not specifically mentioned in the Fair Housing Act itself.

The Home Mortgage Disclosure Act, in response to public concern over credit shortages in certain urban neighborhoods, requires public disclosure of information that shows whether financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located. The Home Mortgage Disclosure Act also includes a “fair lending” aspect that requires the collection and disclosure of data about applicant and borrower characteristics as a way of identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes.

The Right to Financial Privacy Act imposes a new requirement for financial institutions to provide new privacy protections to consumers. Financial institutions must provide disclosures to consumers of its privacy policy, and state the rights of consumers to direct their financial institution not to share their nonpublic personal information with third parties.

The Real Estate Settlement Procedures Act requires lenders to provide noncommercial borrowers with disclosures regarding the nature and cost of real estate settlements. Also, Real Estate Settlement Procedures Act prohibits certain abusive practices, such as kickbacks, and places limitations on the amount of escrow accounts.

The banks’ deposit operations are also subject to laws and regulations that protect consumer rights including Funds Availability, Truth in Savings, and Electronic Funds Transfers. Additional rules govern check writing ability on certain interest-earning accounts and prescribe procedures for complying with administrative subpoenas of financial records.

### **Other Aspects of Federal and State Law**

BayCom Corp, BC Bank, First ULB and UB Bank are also subject to federal and state statutory and regulatory provisions covering, among other things, security procedures, technology and information security and risk assessment and currency and foreign transactions reporting, and management interlocks. There are also a variety of federal statutes that restrict the acquisition of control of banks.

## COMPARISON OF SHAREHOLDERS' RIGHTS

Upon completion of the Merger, First ULB shareholders will receive shares of BayCom Corp common stock in exchange for their shares of First ULB common stock and will become BayCom Corp shareholders. Accordingly, their rights as BayCom Corp shareholders will be governed by BayCom Corp's Articles of Incorporation and Bylaws, as well as by the California General Corporation Law ("CGCL"). Certain differences in the rights of shareholders arise from differences between BayCom Corp's Articles of Incorporation and Bylaws and First ULB's Articles of Incorporation, as amended and restated, and Amended and Restated Bylaws.

The following is a summary of material differences in the rights of BayCom Corp shareholders and First ULB shareholders. This discussion is not a complete statement of all differences affecting the rights of shareholders. We qualify this discussion in its entirety by reference to the CGCL, the Articles of Incorporation of BayCom Corp, the Articles of Incorporation of First ULB and the respective Bylaws of BayCom Corp and First ULB.

### Capitalization

*First ULB.* The authorized capital stock of First ULB consists of:

- 10,000,000 shares of common stock, no par value per share; and
- 10,000,000 shares of preferred stock, no par value per share.

*BayCom Corp.* The authorized capital stock of BayCom Corp consists of:

- 100,000,000 shares of common stock, no par value; and
- 10,000,000 shares of preferred stock, no par value per share.

No shares of First ULB or BayCom Corp preferred stock are outstanding.

In the Merger, BayCom Corp will issue approximately 1,372,293 shares of BayCom Corp common stock to the shareholders of First ULB. The balance of the BayCom Corp's authorized common stock as well as all of its preferred stock will be available to be issued when and as the Board of Directors of BayCom Corp determines it is advisable to do so. While there are no present plans or agreements to issue any additional shares of BayCom Corp's common stock or preferred stock, such shares could be issued for the purpose of raising additional capital, in connection with acquisitions of other assets or investments, or for other corporate purposes. The Board of Directors of BayCom Corp will generally have the authority to issue shares of common stock and preferred stock, without obtaining the approval of existing shareholders. Further, with respect to any future preferred share issuances, the Board of BayCom Corp will have the discretion to provide rights that may be superior to your rights as a common shareholder.

### Voting Rights

Holders of common stock of both First ULB and BayCom Corp are entitled to one vote per share. Holders of common stock of both First ULB and BayCom Corp have cumulative voting rights in the election of directors.

### Number of Directors

*First ULB.* First ULB's Amended and Restated Bylaws provide that there will be no less than seven and no more than fifteen members of the board of directors, with the exact number to be fixed by a bylaw or amendment thereof, by resolution or vote by a majority of the shares entitled to vote, or by resolution of

the First ULB board of directors. Directors are elected annually for one-year terms. First ULB currently has six directors.

*BayCom Corp.* BayCom Corp's Articles of Incorporation provide that there will be no less than five and no more than nine members of the board of directors, with the exact number to be fixed by a bylaw or amendment thereof, by resolution or vote by a majority of the shares entitled to vote, or by resolution of the BayCom Corp board of directors. Directors are elected annually for one-year terms. BayCom Corp currently has five directors. At the effective time of the Merger the Board of Directors of BayCom Corp will take all actions necessary to cause the number of directors that will comprise its full Board of Directors promptly after the Merger to be increased by two, the effect of which will cause the number of directors at BayCom Corp to be seven.

### **Limited Liability and Indemnification**

The Articles of Incorporation of both First ULB and BayCom Corp provide that liability of the directors of First ULB and BayCom Corp, respectively, for monetary damages shall be eliminated to the fullest extent permissible under California law. In addition, the Articles of Incorporation of BayCom Corp authorizes BayCom Corp to provide indemnification of agents, including directors, for breach of duty to and BayCom Corp and its shareholders to the fullest extent permissible under California law. BayCom Corp's Bylaws provide that BayCom Corp shall indemnify to the full extent permitted by law any current or former director, officer or employee of BayCom Corp who is made, or threatened to be made, a party to any action or proceeding whether civil, criminal, administrative or investigative. Further, such indemnification shall be in excess of that expressly permitted by Section 317 of the CGCL. First ULB's Articles of Incorporation, as amended and restated, provide that First ULB may provide by bylaw, agreement or otherwise for the indemnification of agents in excess of that expressly permitted by Section 317 of the CGCL for breach of duty to First ULB or its shareholders to the fullest extent permissible under California law. First ULB's Amended and Restated Bylaws provide that First ULB shall indemnify to the full extent permitted by law any current or former director, officer or employee of First ULB who is made, or threatened to be made, a party to any action or proceeding whether civil, criminal, administrative or investigative.

### **Preemptive Rights**

Holders of BayCom Corp common stock have no preemptive rights. First ULB's Articles, as amended and restated, and Amended and Restated Bylaws are silent with respect to preemptive rights.

### **Dividend Rights**

As a bank holding company that currently has no significant assets other than its equity interest in BC Bank, the ability of BayCom Corp to declare dividends depends primarily upon dividends it receives from BC Bank. The dividend practice of BC Bank, like the dividend practice of BayCom Corp, will depend upon its earnings, financial position, current and anticipated cash requirements and other factors deemed relevant by its Board of Directors at the time.

Shareholders of BC Bank, like shareholders of First ULB, are entitled to dividends when, as and if declared by its Board of Directors out of funds legally available therefor. BC Bank's ability to pay dividends or make distributions to its shareholder is subject to restrictions set forth in the CFC and regulations of the DBO. The CFC provides that neither a bank nor any majority-owned subsidiary of a bank may make a distribution to its shareholders in an amount which exceeds the lesser of (i) the bank's retained earnings or (ii) the bank's net income for its last three fiscal years, less the amount of any distributions made by the bank or by any majority-owned subsidiary of the bank during such period. Notwithstanding the foregoing, a bank may, with the prior approval of the DBO, make a distribution to the shareholders of the bank in an amount not exceeding the greatest of: (i) its retained earnings; (ii) its net income for its last fiscal year; or (iii) the net income of the bank for its current fiscal year. If the DBO finds that the shareholders' equity of

the bank is inadequate or that the making of a distribution by a bank would be unsafe or unsound, the DBO may order the bank to refrain from making a proposed distribution. The payment of any cash dividends by a bank also depends on the bank meeting applicable regulatory capital requirements.

Under the First ULB Articles, as amended and restated, holders of First ULB's Series A Preferred Stock are entitled to receive dividends, when, as and if declared by the Board of Directors of First ULB, out of any assets at the time legally available therefor, cumulative dividends in cash at the rate equal to \$.24 per share of Series A Preferred Stock, as adjusted for any consolidations, combinations, stock distributions, stock dividends, stock splits or similar events (collectively, a "Recapitalization Event"), per annum. Dividends may be declared and paid upon common stock of First ULB in any fiscal year only if dividends in the total amount of \$.24 per share (as adjusted for any Recapitalization Event) shall have been paid or declared and set apart upon all shares of Series A Preferred Stock during that fiscal year. As of the date hereof, there are no shares of Series A Preferred Stock issued and outstanding.

A bank must also consider other factors in determining the payment of dividends, including the maintenance of an adequate reserve for loan losses and the need to revise or develop a comprehensive capital plan, complete with financial projections, budgets and dividend guidelines.

The holders of BayCom Corp common stock are entitled to receive dividends when and as declared by its Board of Directors out of funds legally available therefor, subject to the restrictions set forth in CGCL. The CGCL provides that a corporation may make a distribution to its shareholders if the corporation's retained earnings equal at least the amount of the proposed distribution. The CGCL further provides that, in the event that sufficient retained earnings are not available for the proposed distribution, a corporation may nevertheless make a distribution to its shareholders if it meets two conditions, which generally are as follows: (i) the corporation's assets equal at least 1¼ times its liabilities; and (ii) the corporation's current assets equal at least its current liabilities or, if the average of the corporation's earnings before taxes on income and before interest expense for two preceding fiscal years was less than the average of the corporation's interest expense for such fiscal years, then the corporation's current assets must equal at least 1¼ times its current liabilities.

The payment of dividends by BayCom Corp will depend on BayCom Corp's net income, financial condition, regulatory requirements and other factors, including the results of BC Bank's operations. BayCom Corp intends to follow its existing policy of retaining earnings to increase capital for future growth, and will not pay cash dividends in the foreseeable future.

## **Liquidation Rights**

The holders of common stock of each of First ULB and BayCom Corp common stock are entitled to receive their pro rata share of the assets of BayCom Corp distributable to shareholders upon liquidation. Holders of shares of First ULB Series A Preferred Stock are entitled to certain preference upon the occurrence of a liquidation event. As of the date hereof, there are no shares of Series A Preferred Stock issued and outstanding.

## **Shareholder Vote for Mergers and Other Matters**

With respect to mergers, reorganizations and acquisitions involving banks, the CFC provides that any "reorganization," as that term is defined in the CGCL, is subject to the shareholder approval requirements of the CGCL. (The term includes merger reorganizations, exchange reorganizations and sale-of-assets reorganizations.) The rights of the shareholders of BayCom Corp are essentially the same as the current rights of First ULB's existing shareholders with respect to such reorganizations. In this connection, the CGCL generally requires a vote by the shareholders of (i) each "constituent corporation" to a merger; (ii) a corporation selling all or substantially all of its assets; (iii) the acquiring corporation in either a share-for-share exchange or a sale-of-assets reorganization, and (iv) a parent corporation (even though it is not a

“constituent corporation”) whose equity securities are being issued in connection with a corporate reorganization such as a triangular merger. The CGCL does not require shareholder approval in the case of any corporation in a merger as to which such corporation and/or its shareholders will have five-sixths or more of the voting power of the surviving or acquiring corporation after consummation of the merger (unless the shares acquired in such a merger have different rights, preferences, privileges or restrictions than those surrendered). With certain exceptions, the CGCL also requires a class vote when a shareholder vote is required in connection with these transactions.

### **Dissenters’ Rights**

The CGCL provides that holders of BayCom Corp common stock would be entitled, subject to the provisions of Chapter 13, to dissenters’ rights in connection with any transaction which constitutes a reorganization (as defined in the CGCL).

### **INDEPENDENT AUDITORS**

The audited financial statements of BC Bank as of December 31, 2016 and for the year then ended have been audited by Vavrinek, Trine, Day & Co. LLP, independent auditors as stated in their report which expresses an unmodified opinion. The audited financial statements of BC Bank as of December 31, 2015 for the year then ended were audited by Moss Adams LLP, independent auditors and are included in the audited financial statements presented. Moss Adams LLP expressed an unmodified opinion.

The audited financial statements of First ULB as of December 31, 2016 and September 30, 2015 and for the fifteen months ended December 31, 2016 have been audited by Crowe Horwath LLP, independent auditors as stated in their report which expresses an unmodified opinion.

Neither Vavrinek, Trine, Day & Co., LLP, Moss Adams LLP, nor Crowe Horwath LLP, independent auditors identified above for the respective companies has been engaged to perform and neither has performed, since the date of their respective reports included herein, any procedures on the consolidated financial statements addressed in those reports nor for any other financial periods presented herein this Joint Proxy Statement/Offering Circular.

### **JOINT PROPOSAL 2—ADJOURNMENT**

The Board of Directors of BayCom Corp and First ULB are requesting their respective shareholders to approve a proposal to grant discretionary authority to adjourn their respective shareholders’ meeting on one or more occasions, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of their respective meetings, or any adjournment or postponement of that meeting, to approve the principal terms of the Merger Agreement and the Merger.

Even though a quorum may be present at the applicable shareholder meeting, it is possible that BayCom Corp or First ULB may not have received sufficient votes to approve the principal terms of the Merger Agreement and the Merger by the time of the applicable shareholder meeting. In that event, the applicable party would need to adjourn its meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the applicable shareholder meeting for purposes of soliciting additional proxies to obtain the requisite approval of the principal terms of the Merger Agreement and the Merger. Any other adjournment of the meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy card.

The BayCom Corp Board of Directors retains full authority to the extent set forth in BayCom Corp’s Bylaws and California law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any BayCom Corp shareholders.

The First ULB Board of Directors retains full authority to the extent set forth in First ULB's Bylaws and California law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any First ULB shareholders.

For BayCom Corp, the affirmative vote of (i) a majority of the shares represented and voting at the meeting, and (ii) a majority of the quorum required to transact business at the meeting, is required to approve the proposal to grant discretionary authority to adjourn the meeting on one or more occasions, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the shareholders' meeting, or any adjournment or postponement of that meeting, to approve the principal terms of the Merger Agreement and the Merger.

For First ULB, the affirmative vote of (i) a majority of the shares represented and voting at the meeting, and (ii) a majority of the quorum required to transact business at the meeting, is required to approve the proposal to grant discretionary authority to adjourn the meeting on one or more occasions, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the shareholders' meeting, or any adjournment or postponement of that meeting, to approve the principal terms of the Merger Agreement and the Merger.

**The Board of Directors of each of BayCom Corp and First ULB recommends a vote "FOR" Joint Proposal 2.**

#### **OTHER MATTERS**

Neither the management of First ULB nor BayCom Corp is aware of any other matters to come before their respective meetings. If any other matter not mentioned in this Joint Proxy Statement/Offering Circular is brought before one of the meetings, the persons named in the enclosed form of proxy for such meeting will have discretionary authority to vote all proxies with respect thereto in accordance with their judgment.