Section 1: 8-K (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **May 20, 2014 (May 16, 2014)**

Bank of the Ozarks, Inc.
(Exact name of registrant as specified in its charter)

Arkansas
(State or other jurisdiction of incorporation)

0-22759	**71-0556208**
(Commission File Number)	(IRS Employer Identification No.)

17901 Chenal Parkway, Little Rock, Arkansas	**72223**
(Address of principal executive offices)	(Zip Code)

(501) 978-2265
(Registrant’s telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

( ) Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

( ) Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

( ) Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

( ) Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets.

On May 16, 2014, Bank of the Ozarks, Inc. (the "Company") completed its acquisition of Summit Bancorp, Inc. ("Summit") and its wholly-owned bank subsidiary, Summit Bank, pursuant to a previously announced agreement and plan of merger dated January 30, 2014 (the "Merger Agreement") whereby Summit merged with and into the Company and Summit Bank merged with and into the Company's wholly-owned bank subsidiary, Bank of the Ozarks (the "Bank"), effective May 16, 2014. Pursuant to the terms of the Merger Agreement, the Company issued approximately 2.88 million shares of its common stock and approximately $42.4 million in cash for all outstanding shares of Summit common stock.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is incorporated herein by reference as Exhibit 2.1.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(d) Appointment of New Director

On May 19, 2014, after the Company's 2014 Annual Shareholders Meeting (the "Annual Meeting"), the Company's board of directors (the "Board") increased the size of the Board from fifteen (15) to sixteen (16) directors and appointed Ross M. Whipple as a member of the Board. Mr. Whipple was also appointed to the board of directors of the Bank and will serve as a member of the Audit Committees for the Company and the Bank. There are no arrangements or understandings between Mr. Whipple and any other persons pursuant to which Mr. Whipple was selected as a director.

Mr. Whipple, the former Chairman and Chief Executive Officer of Summit and Summit Bank, currently serves as the President of Horizon Timber Services, Inc., a timber management company, a post he has held since 2004. Mr. Whipple also serves as Chairman of the Ross Foundation, a charitable trust that manages over 60,000 acres of timberland for conservation and charitable purposes. Mr. Whipple has over 25 years of banking experience, much of which was acquired as an executive officer and director of various banking institutions.

In connection with his service as a director, Mr. Whipple is entitled to receive the standard compensation paid to non-management directors of the Company, as more fully described in the Company's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 11, 2014 ("Proxy Statement"), including fees for Board and committee meetings and an option to purchase 2,000 shares of common stock pursuant to the Company's Non-Employee Director Stock Option Plan.

The Company also entered into an indemnification agreement with Mr. Whipple in the same form as the indemnification agreements the Company has entered into with all other directors, which provides, subject to certain exceptions, that the indemnitee thereunder will be indemnified to the fullest possible extent permitted by law against any amount which such person becomes legally obligated to pay because of any act or omission or neglect or breach of duty. The foregoing summary of the indemnification agreement is qualified in its entirety by reference to the form of indemnification agreement, which was filed with the Securities and Exchange Commission as Exhibit 10.1 to the Company's Current Report on Form 8-K on April 21, 2011.

(e) Amended and Restated Plan

On May 19, 2014, at the Company's Annual Meeting, the Company's shareholders approved the amendment and restatement of the Company's 2009 Restricted Stock Plan (the "Amended and Restated Plan") to (i) allow for the granting of performance awards ("Performance Awards") for purposes of Section 162(m) of the Internal Revenue Code of 1986, which will be based upon the attainment of performance targets related to one or more performance goals listed in such plan, (ii) change the name of the plan to the "2009 Restricted Stock and Incentive Plan" to reflect the addition of Performance Awards to such plan, and (iii) clarify that any share or award limits for individual participants, as described in the Amended and Restated Plan, will be adjusted to reflect the effect of a stock dividend, stock split, recapitalization, merger, consolidation, reorganization, combination or exchange of shares, extraordinary dividend or other distribution or other similar transaction.

The description of the Amended and Restated Plan is qualified by reference to the Amended and Restated Plan, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference. A brief description of the Amended and Restated Plan is included as part of Proposal #4 in the Company's Proxy Statement for the Annual Meeting which was filed with the Securities and Exchange Commission on March 11, 2014.

Item 5.07 Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting was held on May 19, 2014. At the Annual Meeting 32,968,278 shares of common stock, or approximately 89% of the 36,939,552 shares of common stock outstanding and entitled to vote at the Annual Meeting, were present in person or by proxies.

Set forth below are the matters acted upon by the Company's shareholders at the Annual Meeting, and the final voting results on each such matter.

1. Election of Directors. Fifteen persons were nominated by the Board for election as directors of the Company, each to hold office for a one year term expiring at the 2015 annual meeting of shareholders and until his or her successor is duly elected and qualified. Each nominee was elected, and there were 2,601,924 broker non-votes with respect to each nominee. The votes cast for and votes withheld with respect to each nominee were as follows:

Name of Director	Total Vote For Each Director	Total Vote Withheld For Each Director
Jean Arehart	30,041,045	325,309
Nicholas Brown	29,184,240	1,182,114
Richard Cisne	30,356,209	10,145
Robert East	29,742,971	623,383
Catherine B. Freedberg	30,154,147	212,207
George Gleason	29,575,986	790,368
Linda Gleason	29,896,207	470,147
Peter Kenny	29,440,996	925,358
Henry Mariani	29,684,231	682,123
Greg McKinney	25,566,389	4,799,965
Robert Proost	30,354,370	11,984
R. L. Qualls	28,774,445	1,591,909
John Reynolds	29,248,358	1,117,996
Dan Thomas	29,999,772	366,582
Sherece West-Scantlebury	30,347,473	18,881

2. **Amendment to the Company's Bylaws.** An amendment to the Company's bylaws to increase the maximum authorized number of directors from fifteen (15) to twenty (20), was approved with votes cast as follows: 28,802,640 votes for; 1,449,735 votes against; and 113,979 votes abstained. There were 2,601,924 broker non-votes with respect to this vote on the amendment to the Company's bylaws.

3. **Amendment to the Company's Amended and Restated Articles of Incorporation.** An amendment to the Company's amended and restated articles of incorporation to increase the number of authorized shares of its common stock, par value $0.01 per share, from 50,000,000 shares to 125,000,000 shares was approved with votes cast as follows: 29,463,237 votes for; 3,318,628 votes against; and 186,413 votes abstained.

4. **Amendment and Restatement of the 2009 Restricted Stock Plan.** An amendment and restatement of the Company's 2009 Restricted Stock Plan was approved with votes cast as follows: 29,372,366 for; 959,820 votes against; and 34,168 votes abstained. There were 2,601,924 broker non-votes with respect to this vote on the amendment and restatement of the Company's 2009 Restricted Stock Plan.

5. **Ratification of Appointment of Independent Auditors.** The Audit Committee's selection and appointment of the accounting firm of Crowe Horwath, LLP as independent auditors for the year ending December 31, 2014 was ratified with votes cast as follows: 32,574,076 votes for; 374,546 votes against; and 19,656 votes abstained.

6. **Advisory Non-Binding Vote on Executive Compensation.** The Company's compensation of its named executive officers, including the Compensation Discussion and Analysis, the compensation tables, and the related disclosures contained in the Company's Proxy Statement for its Annual Meeting, was approved on a non-binding advisory basis with votes cast as follows: 19,643,488 votes for; 10,681,902 votes against; and 40,964 votes abstained. There were 2,601,924 broker non-votes with respect to this advisory, non-binding, vote on executive compensation.

Item 8.01 Other Events.

Two-for-One Stock Split

On May 19, 2014 the Company announced that its Board declared a two-for-one stock split of the Company's common stock in the form of a 100% stock dividend, payable on or about June 23, 2014 to shareholders of record at the close of business on June 13, 2014. The Company's common stock is expected to begin trading on a split-adjusted basis on or about June 24, 2014. The Company currently has approximately 39,829,271 shares of common stock outstanding, which includes shares issued in connection with the Company's acquisition of Summit Bancorp, Inc. After the stock split, the current number of shares of common stock outstanding will increase to approximately 79,658,542 shares.

In connection with the stock split, the Company's Board approved amendments to the Company's 2009 Restricted Stock and Incentive Plan and the Company's Stock Option Plan to account for the stock split in accordance with the terms of such plans. A copy of the 2009 Restricted Stock and Incentive Plan, as amended and restated effective May 19, 2014, is filed as Exhibit 10.1 to this Current Report on Form 8-K. A copy of the amendment to the Company's Stock Option Plan in connection with the stock split is filed as Exhibit 10.2 to this Current Report on Form 8-K.

A copy of the press release announcing the two-for-one stock split is attached as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements of Summit Bancorp, Inc. and Subsidiary as of December 31, 2013 and 2012 and for each of the years in the three years ended December 31, 2013 contained in pages F-1 through F-42 of Amendment No. 1 to the Company's Registration Statement on Form S-4 (Registration No. 333-194722) (the "Registration Statement") were previously filed and are incorporated herein by this reference.

The unaudited consolidated financial statements of Summit Bancorp, Inc. and Subsidiary as of March 31, 2014, and for the three months ended March 31, 2014 and 2013, are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(b) *Pro Forma Financial Information*.

The unaudited pro forma combined consolidated financial information of the Company and Summit Bancorp, Inc. as of and for the year ended December 31, 2013 contained in pages 16 through 23 of the Registration Statement were previously filed and are incorporated herein by this reference.

The unaudited pro forma combined consolidated financial information of the Company and Summit Bancorp, Inc. as of and for the three months ended March 31, 2014, are attached hereto as Exhibit 99.3 and incorporated herein by reference.

(d) Exhibits.

2.1 Agreement and Plan of Merger dated as of January 30, 2014 by and among Bank of the Ozarks, Inc., Bank of the Ozarks, Summit Bancorp, Inc. and Summit Bank (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 30, 2014, and incorporated herein by this reference).

3.1 Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank of the Ozarks, Inc., dated May 19, 2014.

3.2 Amendment No. 1 to the Amended and Restated Bylaws of Bank of the Ozarks, Inc., dated May 19, 2014.

10.1	Bank of the Ozarks, Inc. 2009 Restricted Stock and Incentive Plan, as amended and restated effective May 19, 2014.
10.2	Amendment to the Bank of the Ozarks, Inc. Stock Option Plan adopted May 19, 2014.
99.1	Press Release dated May 19, 2014 whereby Bank of the Ozarks, Inc. Announces Two-for-One Stock Split.
99.2	Unaudited consolidated financial statements of Summit Bancorp, Inc. and Subsidiary as of March 31, 2014 and for the three months ended March 31, 2014 and 2013.
99.3	Unaudited pro forma combined consolidated financial information of the Company and Summit Bancorp, Inc. as of and for the three months ended March 31, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BANK OF THE OZARKS, INC.

Date: May 20, 2014	By: /s/ Greg McKinney
	Name: Greg McKinney
	Title: Chief Financial Officer and Chief Accounting Officer

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Agreement and Plan of Merger dated as of January 30, 2014 by and among Bank of the Ozarks, Inc., Bank of the Ozarks, Summit Bancorp, Inc. and Summit Bank (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 30, 2014, and incorporated herein by this reference).
3.1	Articles of Amendment to the Amended and Restated Articles of Incorporation of Bank of the Ozarks, Inc., dated May 19, 2014.
3.2	Amendment No. 1 to the Amended and Restated Bylaws of Bank of the Ozarks, Inc., dated May 19, 2014.
10.1	Bank of the Ozarks, Inc. 2009 Restricted Stock and Incentive Plan, as amended and restated effective May 19, 2014.
10.2	Amendment to the Bank of the Ozarks, Inc. Stock Option Plan adopted May 19, 2014.
99.1	Press Release dated May 19, 2014 whereby Bank of the Ozarks, Inc. Announces Two-for-One Stock Split.
99.2	Unaudited consolidated financial statements of Summit Bancorp, Inc. and Subsidiary as of March 31, 2014, and for the three months ended March 31, 2014 and 2013.
99.3	Unaudited pro forma combined consolidated financial information of the Company and Summit Bancorp, Inc. as of and for the three months ended March 31, 2014.

(Back To Top)

Section 2: EX-3.1 (EX-3.1)

Exhibit 3.1

ARTICLES OF AMENDMENT TO THE
AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
BANK OF THE OZARKS, INC.

Pursuant to the provisions of Section 4-27-1006 of the Arkansas Code Annotated, the undersigned Corporation adopts the following Articles of Amendment to its Amended and Restated Articles of Incorporation:

FIRST: The name of the Corporation is Bank of the Ozarks, Inc.

SECOND: The following amendment to the Articles of Incorporation was adopted at a Meeting of Shareholders held on May 19, 2014 (the "Meeting"), by shareholders of the Corporation holding a majority of the votes entitled to be cast thereon in the manner prescribed by the Arkansas Business Corporation Act of 1987.

NOW, THEREFORE, BE IT RESOLVED, that paragraph (a) of Article Sixth of the Amended and Restated Articles of Incorporation of the Corporation be amended in its entirety to read as follows:

SIXTH. (a) The total amount of the authorized capital stock of the Corporation is as follows:

SHARES	CLASS	PAR VALUE
125,000,000	Common	$0.01
1,000,000	Preferred	$0.01

THIRD: The number of shares of stock of the Corporation outstanding at the time of such adoption was 39,829,271 shares of common stock, $0.01 par value, and the number of shares entitled to vote thereon was 36,939,552 shares, or 93%.

FOURTH: The number of shares entitled to vote on such adoption and which were represented at the Meeting was 32,968,278 shares. The number of shares cast in favor of such amendment was 29,463,237 shares, which amount is sufficient for approval of the amendment.

Dated: May 19, 2014

BANK OF THE OZARKS, INC.

By: /s/ George G. Gleason
Name: George G. Gleason
Title: Chairman of the Board and Chief Executive Officer

(Back To Top)

Section 3: EX-3.2 (EX-3.2)

Exhibit 3.2

FIRST AMENDMENT TO THE BYLAWS

OF

BANK OF THE OZARKS, INC.

The following First Amendment is hereby made to the Bylaws (the "Bylaws") of Bank of the Ozarks, Inc., an Arkansas corporation, effective May 19, 2014:

1. Article III, Section 2 is hereby deleted in its entirety, and replaced with the following:

SECTION 2. **Number Tenure and Qualifications**. The Board of Directors of the corporation shall consist of not less than three (3) nor more than twenty (20) individuals, as the number is fixed from time to time by resolution of the Board of Directors. Each director shall hold office until the next annual meeting of shareholders and until his or her successor shall have been duly elected and qualified.

* * * * * * *

(Back To Top)

Section 4: EX-10.1 (EX-10.1)

Exhibit 10.1

BANK OF THE OZARKS, INC.
2009 RESTRICTED STOCK AND INCENTIVE PLAN

(As amended and restated effective May 19, 2014)

TABLE OF CONTENTS

ARTICLE VIII
RESTRICTED STOCK UNITS

ARTICLE IX
PERFORMANCE AWARDS

ARTICLE X
PROVISIONS APPLICABLE TO COVERED OFFICERS

ARTICLE XI
MISCELLANEOUS

AMENDED AND RESTATED
BANK OF THE OZARKS, INC. 2009 RESTRICTED STOCK AND INCENTIVE PLAN

ARTICLE I

ESTABLISHMENT AND PURPOSE

Section 1.1. *Establishment*. Bank of the Ozarks, Inc. (the "Company") hereby establishes the Bank of the Ozarks, Inc. 2009 Restricted Stock and Incentive Plan (the "Plan") effective April 21, 2009, subject to approval by the shareholders of the Company on that date.

Section 1.2. *Purpose*. The Plan is intended to provide incentive to key employees and officers of the Company to foster and promote the long-term financial success of the Company and materially increase shareholder value. The Plan is also intended to encourage proprietary interest in the Company, to encourage such individuals to remain in the employ of the Company and to attract new employees with outstanding qualifications. In furtherance thereof, the Plan permits incentives to key employees and officers of the Company.

With respect to any awards granted under the Plan that are intended to comply with the requirements of "performance-based compensation" under Section 162(m) of the Code, the Plan shall be interpreted in a manner consistent with such requirements.

ARTICLE II

DEFINITIONS

Section 2.1. *Definitions*. The following terms have the following meanings when used herein, unless the context clearly indicates otherwise.

(a) "Agreement" means a written agreement entered into between the Company and the recipient of a Grant which sets forth the terms and conditions of the Grant.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means, unless otherwise provided in a Participant's Agreement, (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect, (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or a Subsidiary, (iii) the commission of a felony, a crime of moral turpitude or any crime involving the Company or a Subsidiary, (iv) fraud, misappropriation, dishonesty or embezzlement, (v) incompetence or a material breach of the Participant's employment agreement (if any) with the Company or a Subsidiary, (other than a termination of employment by the Participant), or (vi) any unlawful act detrimental to the Company or a Subsidiary, all as determined in the sole discretion of the Committee.

(d) “Change in Control” means the earlier to occur of any of the following: (i) if during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election or nomination for the election by the Company’s shareholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; (ii) any person or entity (other than any employee benefit plan or plans of the Company or its subsidiaries or any trustee of or fiduciary with respect to such plan or plans when acting in such capacity) or any group acting in concert, shall acquire or control twenty-five percent (25%) or more of the outstanding voting shares of the Company; provided however, that with respect to any person or entity owning or controlling 10% or more of the outstanding voting shares of the Company as of the effective date of the Plan, either acting alone or in concert with one or more of its wholly-owned subsidiaries, the amount of such voting shares so owned or controlled shall be deducted for purposes of this determination; (iii) if, upon a merger, combination, consolidation or reorganization of the Company, the voting securities of the Company outstanding immediately prior thereto do not continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty-one percent (51%) of the combined voting power of voting securities of the Company or such surviving entity outstanding immediately thereafter; (iv) all or substantially all of the assets of the Company are sold or otherwise disposed of; or (v) the Committee or the Board determines, in its sole discretion, that any other business combination or other event (existing or anticipated) shall be deemed a change in control.

(e) “Code” means the Internal Revenue Code of 1986, as amended, and any related rules, regulations and interpretations.

(f) “Committee” means the Personnel and Compensation Committee of the Board or such other committee designated by the Board to administer the Plan, composed solely of not less than two non-employee directors, each of whom shall be a “non-employee director” for purposes of Section 16 under the Securities Exchange Act of 1934, as amended and Rule 16b-3 thereunder and an “outside director” for purposes of Section 162(m) and the regulations promulgated under the Code.

(g) “Common Stock” means the Company’s Common Stock, par value $0.01, either currently existing or authorized hereafter and any other stock or security resulting from adjustment thereof as described herein, or the Common Stock of any successor to the Company which is designated for the purpose of the Plan.

(h) “Company” means Bank of the Ozarks, Inc. and any successor or assignee corporation(s) into which the Company may be merged, changed or consolidated; any corporation for whose securities the securities of the Company shall be exchanged; and any assignee of or successor to substantially all of the assets of the Company.

(i) “Covered Officer” shall mean at any date (i) any individual who, with respect to the previous taxable year of the Company, was a “covered employee” of the Company within the meaning of Section 162(m); provided, however, that the term “Covered Officer” shall not include any such individual who is designated by the

Committee, in its discretion, at the time of any Grant or at any subsequent time, as reasonably expected not to be such a “covered employee” with respect to the current taxable year of the Company and (ii) any individual who is designated by the Committee, in its discretion, at the time of any Grant or at any subsequent time, as reasonably expected to be such a “covered employee” with respect to the current taxable year of the Company or with respect to the taxable year of the Company in which any applicable Grant will be paid.

(j) “Disability” means a Participant’s inability to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than six (6) months.

(k) “Effective Date” means April 21, 2009; provided, however, no Common Stock may be issued unless the Plan is approved by a vote of the holders of a majority of the outstanding shares of Common Stock at a meeting of the shareholders of the Company held on or within 12 months after the Effective Date.

(l) “Eligible Persons” means Employees and officers of the Company or a Subsidiary. The Committee will determine the eligibility of Employees and officers based on, among other factors, the position and responsibilities of such individuals and the nature and value to the Company or a Subsidiary of such individual’s accomplishments and potential contribution to the success of the Company or a Subsidiary.

(m) “Employee” means an individual, including an officer of the Company, who is employed as a common-law employee of the Company or a Subsidiary. An “Employee” shall not include any person classified by the Company or a Subsidiary as an independent contractor even if the individual is subsequently reclassified as a common-law employee by a court, administrative agency or other adjudicatory body.

(n) “Fair Market Value” for any given date means the reasonable value of the Common Stock as determined by the Board, in its sole discretion. If the Common Stock is listed on a securities exchange or traded over a national market system, Fair Market Value means the average of the highest reported asked price and the lowest reported bid price reported on that exchange or market on the relevant date, or if there is no sale for the relevant date, then on the last previous date on which a sale was reported.

(o) “Grant” means an award of Restricted Stock, Restricted Stock Unit or Performance Award, to an Eligible Person.

(p) “Participant” means any Eligible Person to whom a Grant is made, or the Successors of the Participant, as the context so requires.

(q) “Performance Award” means a right granted to a Participant subject to the terms and conditions established by the Committee pursuant to Article IX of the Plan.

(r) “Plan” means the Company’s 2009 Restricted Stock Plan, as set forth herein, and as the same may from time to time be amended.

(s) “Restricted Stock” means Common Stock granted to a Participant subject to the terms and conditions established by the Committee pursuant to Article VII or Article IX of the Plan.

(t) “Restricted Stock Unit” means a right granted to a Participant under Article VIII or Article IX of the Plan.

(u) “Restriction Period” means the period of time during which restrictions established by the Committee shall apply to a Grant.

(v) “Section 162(m)” shall mean Section 162(m) of the Code and the regulations promulgated thereunder and any successor or provision thereto as in effect from time to time.

(w) “Subsidiary” means a subsidiary corporation, whether now or hereafter existing, as defined in Code Section 424(f).

(x) “Termination of Service” means the time when the employee-employer relationship or directorship or other service relationship (sufficient to constitute service as an Eligible Person) between the Participant and the Company or a Subsidiary is terminated for any reason, with or without Cause, including, but not limited to, any termination by resignation, discharge, Disability, death or retirement; provided, however, Termination of Service shall not include: (i) a termination where there is a simultaneous reemployment of the Participant by the Company or a Subsidiary or other continuation of service (sufficient to constitute service as an Eligible Person), or (ii) an employee who is on military leave, sick leave or other bona fide leave of absence (to be determined in the discretion of the Committee). The Committee, in its absolute discretion, shall determine the effects of all matters and questions relating to Termination of Service, including but not limited to the question of whether any Termination of Service was for Cause and all questions of whether particular leaves of absence constitute Terminations of Service.

ARTICLE III

ADMINISTRATION

Section 3.1. ***General***. The Plan shall be administered by the Committee, subject to Board approval in instances where the Board by resolution determines to require such approval.

Section 3.2. ***Committee Meetings***. The Committee shall meet from time to time as determined by its chairman or by resolution adopted in writing by a majority of the members of the Committee or by a majority of the members of the Committee present at any meeting at which a quorum is present. A majority of the members of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting of the Committee at which a quorum is present, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan. To the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member.

Section 3.3. ***Powers of the Committee***. Subject to the terms and conditions of the Plan and consistent with the Company's intention for the Committee to exercise the greatest permissible flexibility in awarding Grants, the Committee shall have the power:

(a) to determine from time to time the Eligible Persons who are to be awarded Grants and the nature and amount of Grants, and to generally determine the terms, provisions and conditions (which need not be identical) of Grants awarded under the Plan, not inconsistent with the terms of the Plan;

(b) to construe and interpret the Plan and Grants thereunder and to establish, amend and revoke rules and regulations for administration of the Plan. In this connection, the Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, in any Agreement or in any related agreements in the manner and to the extent it shall deem necessary or expedient to make the Plan fully effective;

(c) to amend any outstanding Grant and to accelerate or extend the vesting or exercisability of any Grant, all subject to Section 11.3, and to waive conditions or restrictions on any Grants, all to the extent it shall deem appropriate;

(d) to cancel, with the consent of a Participant or as otherwise permitted by the Plan, outstanding Grants;

(e) to determine whether, and to what extent and under what circumstances, Grants may be settled in cash, Common Stock, other property or a combination of the foregoing;

(f) to appoint agents as the Committee deems necessary or desirable to administer the Plan;

(g) to provide for the forms of Agreements to be utilized in connection with the Plan, which need not be identical for each Participant;

(h) to authorize, by written resolution, one or more officers of the Company to make Grants to nonofficer Employees and to determine the terms and conditions of such Grants, provided, however, (i) the Committee shall not delegate such responsibility to any officer for Grants made to an Employee who is considered an insider, (ii) the Committee's resolution providing for such authorization sets forth the total number of Grants such officer may award and any other conditions on the officer's authority to make Grants, and (iii) the officer shall report to the Committee, as the Committee may request, information regarding the nature and scope of the Grants made pursuant to the delegated authority; and

(i) generally to exercise such powers and to perform such acts as are deemed necessary or expedient to carry out the terms of the Plan and to promote the best interests of the Company with respect to the Plan.

Section 3.4. *Grants to Committee Members*. Notwithstanding Section 3.3, any Grant awarded under the Plan to an Eligible Person who is a member of the Committee shall be made by a majority of the directors of the Company who are not on the Committee.

Section 3.5. *Committee Decisions and Determinations*. Any determination made by the Committee or Board pursuant to the provisions of the Plan or an Agreement shall be made in its sole discretion in the best interest of the Company, not as a fiduciary. All decisions made by the Committee or Board pursuant to the provisions of the Plan or an Agreement shall be final and binding on all persons, including the Company, a Subsidiary, Participants and Successors of the Participants. Any determination by the Committee or Board shall not be subject to de novo review if challenged in any court or legal forum.

ARTICLE IV

ELIGIBILITY AND PARTICIPATION

Section 4.1. *Eligibility*. Any Eligible Person may receive Grants under the Plan.

Section 4.2. *Participation*. Whether an Eligible Person receives a Grant under the Plan will be determined by the Committee, in its sole discretion, as provided in Section 3.3.

ARTICLE V

SHARES SUBJECT TO PLAN

Section 5.1. *Available Shares*. Shares hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares, including shares purchased by the Company for purposes of the Plan. The certificates for Common Stock issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder or under the Agreement or as the Committee may otherwise deem appropriate. Subject to adjustment pursuant to Section 5.3, the maximum number of shares of Common Stock that may be issued under the Plan as a result of all Grants is One Million Six Hundred Thousand (1,600,000) shares (adjusted to give effect to the 2-for-1 stock split payable on June 23, 2014).

Section 5.2. *Previously Granted Shares*. Subject to Sections 5.1 and 5.3, the Committee has full authority to determine the number of shares of Common Stock available for Grants. In its discretion, the Committee may include as available for distribution all of the following:

(a) Common Stock subject to a Grant that has been forfeited;

(b) Common Stock under a Grant that otherwise terminates, fails to vest, expires or lapses in whole or in part without issuance of Common Stock being made to a Participant; and

(c) Common Stock subject to any Grant that settles in cash or a form other than Common Stock.

Section 5.3. ***Adjustments***. Without limiting the Committee's discretion as provided in ARTICLE XI hereof, if there shall occur any change in the capital structure of the Company by reason of any extraordinary dividend or other distribution (whether in the form of cash, Common Stock, other securities or other property, and other than a normal cash dividend), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other corporate transaction or event having an effect similar to the foregoing, which affects the Common Stock, then the Committee shall, in an equitable and proportionate manner as determined by the Committee (and, as applicable, in such manner as is consistent with Sections 162(m), 422 and 409A of the Code and the regulations thereunder) either: (i) adjust any or all of (1) the aggregate number of shares of Common Stock or other securities of the Company (or number and kind of other securities or property) with respect to which Grants may be awarded under the Plan; (2) the number of shares of Common Stock or other securities of the Company (or number and kind of other securities or property) subject to outstanding Grants under the Plan, provided that the number of shares of Common Stock subject to any Grant shall always be a whole number; (3) the grant or exercise price with respect to any Grant under the Plan, and (4) the limits on the number of shares of Common Stock or Grants that may be granted to Participants under the Plan in any calendar year; (ii) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) make provision for a cash payment to the holder of an outstanding Grant. Any such adjustments to outstanding Grants shall be effected in a manner that precludes the material enlargement or dilution of rights and benefits under such Grants.

Section 5.4. ***Code Section 409A Limitation***. Any adjustment made pursuant to Section 5.3 to any Grant that is considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Code Section 409A. Any adjustments made pursuant to Section 5.3 to any Grant that is not considered "deferred compensation" shall be made in a manner to ensure that after such adjustment, the Grant either continues not to be subject to Code Section 409A or complies with the requirements of Code Section 409A.

ARTICLE VI

GRANTS IN GENERAL

Section 6.1. ***Agreement***. Each Agreement evidencing a Grant shall set forth the terms and conditions as may be determined by the Committee consistent with the Plan. The Agreement shall state the number of shares of Common Stock to which the Grant pertains, if applicable. As applicable, each Agreement must state the Exercise Price or other consideration to be paid for any Grant.

Section 6.2. ***Time of Granting of an Award***. The award date of a Grant shall, for all purposes, be the date on which the Committee makes the determination awarding such Grant, or such other date as is determined by the Board. Notice of the determination of a Grant shall be given to each Eligible Person to whom a Grant is awarded within a reasonable period of time after the date of such Grant.

Section 6.3. ***Term and Nontransferability of Grants***. No Grant is assignable or transferable, except by will or the laws of descent and distribution of the state wherein the Participant was domiciled at the time of his or her death; provided, however, that the Committee may permit other transfers where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) is in no event a transfer for value, and (iii) is otherwise appropriate and desirable.

Section 6.4. ***Termination of Services***. Unless otherwise provided in the applicable Agreement or as determined by the Committee, Grants shall be governed by the following provisions:

(a) ***Termination of Service, Except by Death or Disability***. In the event of a Participant's Termination of Service for any reason other than the Participant's death or Disability, the Participant's Grant shall be forfeited upon the Participant's Termination of Service.

(b) ***Death or Disability of Participant***. Grants shall fully vest on a Participant's Termination of Service by reason of the Participant's death or Disability, subject to Section 11.12 and the limitations imposed under applicable laws.

Section 6.5. ***Participation***. There is no guarantee that any Eligible Person will receive a Grant under the Plan or, having received a Grant, that the Participant will receive a future Grant on similar terms or at all. There is no obligation for uniformity of treatment of Eligible Persons with respect to who receives a Grant or the terms and conditions of Participants' Grants.

ARTICLE VII

RESTRICTED STOCK

Section 7.1. ***General***. The Committee has authority to grant Restricted Stock under the Plan at any time or from time to time. The Committee has the authority to grant Restricted Stock under the Plan in connection with the achievement of performance goals based on the criteria listed in ARTICLE X. Grants of Restricted Stock shall be evidenced by an Agreement in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the terms and conditions provided hereunder and any additional terms and conditions established by the Committee that are consistent with the terms of the Plan. The Committee shall determine the number of shares of Restricted Stock to be awarded to any Eligible Person, the Restriction Period within which such Grants may be subject to forfeiture in accordance with applicable laws and any other terms and conditions of such Grants. If the Committee so determines, the restrictions may lapse during such Restricted Period in installments with respect to specified portions of the Restricted Stock covered by the Grant. The Agreement may also, in the discretion of the Committee, set forth performance or other conditions (including, but not limited to, performance goals based on the criteria listed in ARTICLE X of the Plan) that will subject the shares of Common Stock covered by the Grant to forfeiture and transfer restrictions.

Section 7.2. *Delivery*. The Company shall issue the shares of Restricted Stock to each recipient who is awarded a Grant of Restricted Stock either in certificate form or in book entry form, registered in the name of the recipient, with legends or notations, as applicable, referring to the terms, conditions and restrictions applicable to any such Grant and record the transfer on the Company's official shareholder records; provided that the Company may require that any stock certificates evidencing Restricted Stock granted hereunder be held in the custody of the Company until the restrictions thereon shall have lapsed, and that as a condition of any Grant of Restricted Stock, the Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Grant.

Section 7.3. *Shareholder Rights*. Unless the Committee specifies otherwise in the Restricted Stock Agreement, the Participant will have, with respect to the Restricted Stock, all of the rights of a shareholder of the Company holding the Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any dividends, subject to Section 6.3. If any dividends are paid in Common Stock, the Common Stock will be subject to the same restrictions as applied to the Grant of Restricted Stock with respect to which they were paid.

Section 7.4. *Price*. The Committee may require a Participant to pay a stipulated purchase price for each share of Restricted Stock.

Section 7.5. *Section 83(b) Election*. The Committee or the Board may prohibit a Participant from making an election under Section 83(b) of the Code. If the Committee has not prohibited such election, and if the Participant elects to include in such Participant's gross income in the year of transfer the amounts specified in Section 83(b) of the Code, the Participant shall notify the Company of such election within 10 days of filing notice of the election with the Internal Revenue Service, and will provide the required withholding pursuant to Section 11.6, in addition to any filing and notification required pursuant to regulations issued under the authority of Section 83(b) of the Code.

ARTICLE VIII

RESTRICTED STOCK UNITS

Section 8.1. *General*. The Committee has authority to grant Restricted Stock Units under the Plan at any time or from time to time. The Committee has the authority to grant Restricted Stock Units under the Plan in connection with the achievement of certain performance goals based on the criteria listed in ARTICLE X. A Restricted Stock Unit is a bookkeeping entry of a grant of Common Stock that will be settled by delivery of Common Stock, the payment of cash based upon the Fair Market Value of a specified number of shares of Common Stock or a combination thereof. Grants of Restricted Stock Units shall be evidenced by an Agreement in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the terms and conditions provided hereunder and any additional terms and conditions established by the Committee that are consistent with the terms of the Plan. The Committee shall determine the number of Restricted Stock Units to be awarded to any Participant, the Restriction Period within which such Grants may be subject to forfeiture and any other terms and conditions of the Grants. If the Committee so determines, the restrictions may lapse during such Restricted Period in installments with respect to specified portions of the Restricted Stock Units covered by the Grant. The Agreement may also, in the discretion of the Committee, set forth performance or other conditions (including, but not limited to, performance goals based on the criteria listed in ARTICLE X of the Plan) that will subject the shares of Common Stock covered by the Grant to forfeiture and transfer restrictions.

Section 8.2. *Rights*. The Committee is entitled to specify in a Restricted Stock Unit Agreement the extent to which and on what terms and conditions the applicable Participant shall be entitled to receive payments corresponding to the dividends payable on the Common Stock, if any.

ARTICLE IX

PERFORMANCE AWARDS

Section 9.1. *Grant.* The Committee shall have sole and complete authority to determine the Participants who shall receive a Performance Award, which shall consist of a right that is (i) denominated in cash or Common Stock (including but not limited to Restricted Stock and Restricted Stock Units), (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine.

Section 9.2. *Terms and Conditions*. Subject to the terms of the Plan and any applicable Agreement, the Committee shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount and kind of any payment or transfer to be made pursuant to any Performance Award, and may amend specific provisions of the Performance Award; provided, however, that such amendment may not adversely affect existing Performance Awards made within a performance period commencing prior to implementation of the amendment.

Section 9.3. *Payment of Performance Awards*. Performance Awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with the procedures established by the Committee, on a deferred basis. Termination of Service prior to the end of any performance period, other than for reasons of death or Disability, will result in the forfeiture of the Performance Award, and no payments will be made. Notwithstanding the foregoing, the Committee may in its discretion, waive any performance goals and/or other terms and conditions relating to a Performance Award. A Participant’s rights to any Performance Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of in any manner, except by will or the laws of descent and distribution, and/or except as the Committee may determine at or after grant.

ARTICLE X

PROVISIONS APPLICABLE TO COVERED OFFICERS

AND PERFORMANCE AWARDS

Section 10.1. ***Covered Officers.*** Notwithstanding anything in the Plan to the contrary, unless the Committee determines that a Performance Award to be granted to a Covered Officer should not qualify as "performance-based compensation" for purposes of Section 162(m), Performance Awards granted to Covered Officers shall be subject to the terms and provisions of this ARTICLE X.

Section 10.2. ***Performance Goals.*** The Committee may grant Performance Awards to Covered Officers based solely upon the attainment of performance targets related to one or more performance goals selected by the Committee from among the goals specified below. For the purposes of this ARTICLE X, performance goals shall be limited to one or more of the following Company, Subsidiary, or division financial performance measures:

(a) earnings or book value per share;

(b) net income;

(c) return on equity, assets, capital, capital employed or investment;

(d) earnings before taxes, depreciation and/or amortization;

(e) operating income or profit;

(f) operating efficiencies;

(g) asset quality ratios such as the ratio of criticized/classified assets to capital, the ratio of classified assets to capital and the allowance for loan and lease losses, the ratio of nonperforming loans and leases and/or past due loans and leases greater than 90 days and non-accrual loans and leases to total loans and leases, the ratio of nonaccrual loans and leases to total loans and leases or the ratio of net charge-offs to average loans and leases or other similar asset quality measures;

(h) allowance for loan and lease losses;

(i) net interest income, net interest spread, net interest margin, after tax operating income and after tax operating income before preferred stock dividends;

(j) cash flow(s);

(k) total revenues or revenues per employee;

(l) stock price or total shareholder return;

(m) growth in deposits;

(n) dividends;

(o) strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, soundness targets, business expansion goals and goals relating to acquisitions or divestitures; or

(p) any combination thereof.

Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or any Subsidiary or division of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, or to assets or net assets. The Committee may, at its discretion, waive all or any part of the restrictions applicable to any or all outstanding Performance Awards. The Committee may appropriately adjust any evaluation of performance under criteria set forth in this Section 10.2 to exclude any of the following events that occurs during a performance period: (i) asset impairments or write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, (v) any extraordinary non-recurring items as described in Accounting Standards Codification Topic 225-20 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year, (vi) the effect of adverse federal, governmental or regulatory action, or delays in federal, governmental or regulatory action or (vii) any other event either not directly related to the operations of the Company or not within the reasonable control of the Company's management; provided that the Committee commits to make any such adjustments within the period set forth in Section 10.4.

Section 10.3. *Limitations.* With respect to any Covered Officer: (a) the maximum number of shares in respect of which all stock-based Performance Awards may be granted in any fiscal year under ARTICLE IX of the Plan is 100,000 (adjusted to give effect to the 2-for-1 stock split payable on June 23, 2014) and (b) the maximum amount of all cash-settled Performance Awards that may be granted in any fiscal year under ARTICLE IX of the Plan is $2,000,000.

Section 10.4. *Terms and Conditions*. To the extent necessary to comply with Section 162(m), with respect to grants of Performance Awards, no later than 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (1) select the performance goal or goals applicable to the performance period, (2) establish the various targets and amounts which may be earned for such performance period, and (3) specify the relationship between performance goals and targets and the amounts to be earned by each Covered Officer for such performance period. Following the completion of each performance period, the Committee shall certify in writing whether the applicable performance targets have been achieved and the amounts, if any, payable to Covered Officers for such performance period. In determining the amount earned by a Covered Officer for a given performance period, subject to any applicable Agreement, the Committee shall have the right to reduce (but not increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the performance period.

Section 10.5. *Compliance with Section 162(m).* Unless otherwise expressly stated in the relevant Agreement, each Performance Award granted to a Covered Officer under the Plan is intended to be performance-based compensation within the meaning of Section 162(m). Accordingly, unless otherwise determined by the Committee, if any provision of the Plan or any Agreement relating to such a Grant does not comply or is inconsistent with Section 162(m), such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee discretion to increase the amount of compensation otherwise payable to a Covered Officer in connection with any such Grant upon the attainment of the performance criteria established by the Committee.

ARTICLE XI

MISCELLANEOUS

Section 11.1. *Effect of a Change in Control*. Notwithstanding any other provision of this Plan to the contrary but within the restrictions of Section 11.12, all unvested, unexercisable or restricted Grants shall automatically vest, become exercisable and become unrestricted without further action by the Board or Committee upon a Change in Control, unless provisions are made in connection with the transaction resulting in the Change in Control for the assumption of Grants theretofore awarded, or the substitution for such Grants of new grants, by the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and the per share exercise prices, as provided in Section 5.3.

Section 11.2. *Rights as a Shareholder*. Other than certain voting and dividend rights permitted by the Plan or an Agreement, no person shall have any rights of a shareholder as to Common Stock subject to a Grant until, after proper transfer of the Common Stock subject to a Grant or other required action, such shares have been recorded on the Company's official shareholder records as having been issued and transferred. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date such shares are recorded as issued and transferred in the Company's official shareholder records.

Section 11.3. *Modification, Extension and Renewal of Grants*.

(a) ***Ability***. Within the limitations of the Plan and applicable laws, the Committee may modify, extend or renew outstanding Grants, accept the cancellation of outstanding Grants (to the extent not previously exercised) to make new Grants in substitution therefor, accelerate vesting, and waive any restrictions, forfeiture provisions or other terms and conditions on Grants. The foregoing notwithstanding, no such action shall apply to a Grant without the consent of the Participant if it would alter or impair any rights or obligations under any Grant previously made.

(b) ***Code Section 409A Limitation***. Any action taken under subsection (a) hereunder to any Grant that is considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Code

Section 409A. Any action taken under subsection (a) hereunder to any Grant that is not considered “deferred compensation” within the meaning of Code Section 409A shall be made in a manner to ensure that after such action, the Grant either continues not to be subject to Code Section 409A or complies with the requirements of Code Section 409A.

Section 11.4. ***Term of Plan***. Grants may be made pursuant to the Plan until the expiration of ten (10) years from the Effective Date of the Plan, unless the Company sooner terminates the Plan under Section 11.5.

Section 11.5. ***Amendment or Termination of the Plan***. The Board may from time to time, with respect to any Common Stock at the time not subject to Grants, suspend or discontinue the Plan or revise or amend it in any respect whatsoever. The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect a Participant with respect to Grants previously made without the written consent of the Participant holding such Grant and unless such amendments are in connection with compliance with applicable laws (including but not limited to Code Section 409A), stock exchange rules or accounting rules; provided that the Board may not make any amendment in the Plan that would, if such amendment were not approved by the holders of the Common Stock, cause the Plan to fail to comply with any requirement or applicable law or regulation, unless and until the approval of the holders of such Common Stock is obtained.

Section 11.6. ***Tax Withholding***. Each recipient of a Grant shall, no later than the date as of which the value of any Grant first becomes includable in the gross income of the recipient for federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Company regarding payment of any federal, state or local taxes of any kind that are required by law to be withheld with respect to such income. A Participant may elect to have such tax withholding satisfied, in whole or in part, by (i) authorizing the Company to withhold a number of shares of vested restricted Common Stock, if any, owned by the Participant equal to the Fair Market Value as of the date withholding is effected that would satisfy the withholding amount due, (ii) transferring to the Company cash or other shares of Common Stock owned by the Participant with a Fair Market Value equal to the amount of the required withholding tax, or (iii) in the case of a Participant who is an Employee of the Company or a Subsidiary at the time such withholding is effected, by withholding from the Participant’s cash compensation. Notwithstanding anything contained in the Plan to the contrary, the Participant’s satisfaction of any tax-withholding requirements imposed by the Committee shall be a condition precedent to the Company’s obligation as may otherwise be provided hereunder to provide shares of Common Stock to the Participant.

Section 11.7. ***Notices***. All notices under the Plan shall be in writing and if to the Company, shall be delivered personally to the Secretary of the Company or mailed to its principal office, addressed to the attention of the Secretary, and if to a Participant or recipient of a Grant, shall be delivered personally or mailed to the Participant or recipient of a Grant at the address appearing in the records of the Company or a Subsidiary. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section.

Section 11.8. ***Rights to Employment or Other Service***. Nothing in the Plan or in any Grant made under the Plan shall confer on any individual any right to continue in the employ or other service of the Company or a Subsidiary or interfere in any way with the right of the Company or a Subsidiary to terminate the individual’s employment or other service at any time.

Section 11.9. *Exculpation and Indemnification*. To the maximum extent permitted by law, the Company or a Subsidiary shall indemnify and hold harmless the members of the Board and the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

Section 11.10. *No Fund Created*. Any and all payments hereunder to recipients of Grants hereunder shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure such payments; provided that bookkeeping reserves may be established in connection with the satisfaction of payment obligations hereunder. The obligations of the Company under the Plan are unsecured and constitute a mere promise by the Company to make benefit payments in the future, and to the extent that any person acquires a right to receive payments under the Plan from the Company, such right shall be no greater than the right of a general unsecured creditor of the Company.

Section 11.11. *Additional Arrangements*. Nothing contained herein precludes the Company from adopting other or additional compensation or benefit arrangements.

Section 11.12. *TARP Laws*. Notwithstanding any other provision of the Plan, the Committee may not make any Grant that is prohibited by or inconsistent with the Emergency Economic Stabilization Act's Troubled Assets Relief Program, Capital Purchase Program or the American Recovery and Reinvestment Act of 2009 or the rules, regulations or other guidance issued under such laws, as such may be amended from time to time (collectively, the "TARP laws"). Further, notwithstanding any other provision of the Plan, a Grant will not be amended, automatically vested or otherwise adjusted in any manner prohibited by the TARP laws.

Section 11.13. *Captions*. The use of captions in the Plan is for convenience. The captions are not intended to provide substantive rights and shall not be used in construing the terms of the Plan.

Section 11.14. *Governing Law*. Except as governed by federal law, the laws of the state of Arkansas shall govern the plan, without reference to principles of conflict of laws.

Section 11.15. *Execution*. The Company has caused the Plan to be executed in the name and on behalf of the Company by an officer of the Company thereunto duly authorized.

BANK OF THE OZARKS, INC.

By: /s/ George Gleason
George Gleason, Chairman of the Board of Directors and CEO

(Back To Top)

Section 5: EX-10.2 (EX-10.2)

Exhibit 10.2

**AMENDMENT
TO THE
BANK OF THE OZARKS, INC.
STOCK OPTION PLAN**

A. Bank of the Ozarks, Inc., an Arkansas corporation (the "Corporation") adopted the Bank of the Ozarks, Inc. Stock Option Plan (the "Plan") in 1997 to attract and retain the best available talent, to encourage the highest level of performance by executive officers and key employees, and to provide such officers and employees with incentives to put forth maximum efforts for the success of the Corporation's business and to serve the best interest of the Corporation's shareholders.

B. On May 19, 2014, the Board of Directors of the Corporation authorized a 100% stock dividend on the Common Stock of the

Corporation, to be effected in the form of a 2-for-1 stock split ("Stock Split"). The Corporation desires to amend the Plan to proportionately adjust the number of shares available for issuance under the Plan after giving effect to the Stock Split.

D. Section 9(b) of the Plan permits the Board of Directors of the Corporation to amend the Plan at any time.

AMENDMENTS

Effective June 23, 2014, the Plan is hereby amended as set forth below:

1. Section 3 of the Plan is deleted in its entirety and is replaced with the following Section 3:

3. Shares Available Under Plan. The shares of Common Stock which may be issued under the Plan will not exceed in the aggregate 9,160,000 shares, subject to adjustment as provided in this Paragraph 3.

(a) Any shares of Common Stock which are subject to Stock Options that are terminated unexercised, forfeited or surrendered or that expire for any reason will again be available for issuance under the Plan.

(b) The shares available for issuance under the Plan also will be subject to adjustment as provided in Paragraph 6.

2. Section 4 of the Plan is deleted in its entirety and is replaced with the following Section 4:

4. Individual Limitation on Stock Options. The maximum aggregate number of shares of Common Stock with respect to which Stock Options may be granted to any Participant during any calendar year will not exceed 560,000 shares (adjusted to give effect to each of four 2-for-1 stock splits, effected by issuing one share of common stock for each share outstanding, on June 17, 2002, December 10, 2003, August 16, 2011 and June 23, 2014, respectively).

3. In all other respects, the Plan shall remain in effect and following execution of this Amendment, the Plan shall be restated with the above changes incorporated therein.

The Company has adopted this Amendment on May 19, 2014.
(Back To Top)

Section 6: EX-99.1 (EX-99.1)

Exhibit 99.1

BANK of the OZARKS

NEWS RELEASE

Release Time: Immediate
Contact: Susan Blair, (501) 978-2217
Date: May 19, 2014

Bank of the Ozarks, Inc. Announces Two-for-One Stock Split

LITTLE ROCK, ARKANSAS – Bank of the Ozarks, Inc. (NASDAQ: OZRK) ("Company") today announced that its Board of Directors has declared a two-for-one stock split of its common stock payable in the form of a 100% stock dividend. The two-for-one stock split is expected to be paid on or about June 23, 2014 to shareholders of record as of June 13, 2014. Stock certificates representing the additional shares will be distributed by the Company's transfer agent, Bank of the Ozarks Trust and Wealth Management Division, and the per share price of the Company's common stock will adjust accordingly on the NASDAQ Global Select Market for trading beginning on or about June 24, 2014. The Company currently has approximately 39,829,271 shares of common stock outstanding, which includes shares issued in connection with the Company's recent acquisition of Summit Bancorp, Inc. After the stock split, the current number of shares of common stock outstanding will increase to approximately 79,658,542 shares.

This is the fourth two-for-one stock split of the Company's common stock since its initial public offering in July 1997. The previous splits occurred in June 2002, December 2003, and August 2011.

George Gleason, Chairman of the Board and Chief Executive Officer of Bank of the Ozarks, Inc., stated, "This declaration reflects our Board's confidence in our ability to drive long-term value to our shareholders and recognizes our Company's strong market performance and continued growth prospects. The decision to declare a two-for-one stock split will allow us to maintain a market price for our stock that is affordable and accessible to a wider range of investors and to increase our overall shareholder base and liquidity in our stock."

Bank of the Ozarks, Inc. is a bank holding company with $5.03 billion in total assets as of March 31, 2014 and trades on the NASDAQ Global Select Market under the symbol "OZRK." The Company owns a state-chartered subsidiary bank that conducts banking operations through 165 offices in Arkansas, Texas, Georgia, North Carolina, Florida, Alabama, South Carolina, New York and California. The Company may be contacted at (501) 978-2265 or P. O. Box 8811, Little Rock, Arkansas 72231-8811. The Company's website is: www.bankozarks.com.
(Back To Top)

Section 7: EX-99.2 (EX-99.2)

Table of Contents

Exhibit 99.2

Summit Bancorp Inc.

As of March 31, 2014, and for the Three-Months Ended March 31, 2014 and 2013 (Unaudited) and December 31, 2013 (Audited)

Contents

[Table of Contents](#)

Summit Bancorp, Inc.

Consolidated Balance Sheets

March 31, 2014 and December 31, 2013

Assets

	March 31, 2014 (Unaudited)	December 31, 2013
Cash and due from banks	$ 70,383,054	$ 36,207,311
Interest-bearing demand deposits in banks	137,709	27,296
Cash and cash equivalents	70,520,763	36,234,607
Interest-bearing time deposits in banks	55,691,000	58,327,000
Available-for-sale securities	246,789,559	256,386,480
Held-to-maturity securities	3,999,541	3,999,541
Loans held for sale	541,417	986,161
Loans, net of allowance for loan losses of $13,282,590 and $13,686,974 at March 31, 2014 and December 31, 2013, respectively	737,990,808	762,834,256
Premises and equipment, net	13,938,567	14,168,534
Correspondent bank stock	3,626,935	3,622,935
Foreclosed assets held for sale, net	3,168,526	3,392,440
Interest receivable	4,439,871	4,788,379
Deferred income taxes	4,082,499	5,361,311
Cash value of life insurance	33,291,934	33,065,934
Other	5,341,801	4,838,555
Total assets	$ 1,183,423,221	$ 1,188,006,133

See Condensed Notes to Consolidated Financial Statements

Table of Contents

Liabilities and Stockholders' Equity

	March 31, 2014	December 31, 2013
	(Unaudited)	
Liabilities		
Deposits		
Demand	$ 152,589,993	$ 139,426,299
Savings, NOW and money market	457,880,243	462,532,930
Time	375,976,150	391,739,705
Total deposits	986,446,386	993,698,934
Short-term borrowings	11,324,171	11,402,421
Federal Home Loan Bank advances	42,563,226	42,302,666
Dividends payable	-	3,065,006
Interest payable and other liabilities	2,710,896	2,566,505
Total liabilities	1,043,044,679	1,053,035,532
Stockholders' Equity		
Common stock, $.01 par value; authorized 20,000,000 shares; issued 2014 – 6,163,213 shares and 2013 – 6,163,213 shares	61,632	61,632
Additional paid-in capital	60,259,867	60,259,867
Retained earnings	79,183,545	76,157,944
Accumulated other comprehensive income (loss)	904,979	(995,036)
	140,410,023	135,484,407
Treasury stock, at cost		
Common; 2014 – 13,404 shares, 2013 – 29,754 shares	(31,481)	(513,806)
Total stockholders' equity	140,378,542	134,970,601
Total liabilities and stockholders' equity	$ 1,183,423,221	$1,188,006,133

See Condensed Notes to Consolidated Financial Statements

Table of Contents

Summit Bancorp, Inc.

Consolidated Statements of Income

Three Months Ended March 31, 2014 and 2013

	2014	2013
	(Unaudited)	
Interest and Dividend Income		
Loans	$ 8,842,717	$ 9,333,807
Debt securities		
Taxable	477,766	560,420
Tax-exempt	1,257,387	1,454,349
Federal funds sold	12	11
Dividends on Federal Home Loan Bank stock	2,027	2,248
Deposits with financial institutions	174,604	165,033
Total interest and dividend income	10,754,513	11,515,868
Interest Expense		
Deposits	1,248,495	1,522,291
Short-term borrowings	7,074	9,342
Federal Home Loan Bank advances	342,400	329,300
Capital lease	13,654	14,172
Other	42,930	42,517
Total interest expense	1,654,553	1,917,622
Net Interest Income	9,099,960	9,598,246
Provision for Loan Losses	-	1,030,000
Net Interest Income After Provision for Loan Losses	9,099,960	8,568,246
Noninterest Income		
Customer service fees	512,500	557,694
Other service charges and fees	339,556	373,348
Net gains on sales of mortgage loans	110,838	329,212
Increase in cash value of life insurance	226,000	223,000
Loan servicing fees	41,309	139,581
ATM fees	379,488	362,081
Other	183,510	285,498
Total noninterest income	1,793,201	2,270,414

See Condensed Notes to Consolidated Financial Statements

	2014	2013
	(Unaudited)	
Noninterest Expense		
Salaries and employee benefits	$ 4,593,290	$ 4,746,232
Occupancy	582,148	563,293
Equipment	619,477	619,643
Professional fees	164,881	145,566
Marketing	100,107	146,725
Printing and office supplies	60,028	78,246
Deposit insurance premium	233,760	53,172
Other	796,869	800,008
Total noninterest expense	7,150,560	7,152,885
Income Before Income Taxes	3,742,601	3,685,775
Provision for Income Taxes	717,000	490,000
Net Income	$ 3,025,601	$ 3,195,775
Basic Earnings Per Common Share	$ .49	$ .53
Diluted Earnings Per Common Share	$ .49	$ .52

See Condensed Notes to Consolidated Financial Statements

Table of Contents

Summit Bancorp, Inc.

Consolidated Statements of Comprehensive Income

Three Months Ended March 31, 2014 and 2013

	2014	2013
	(Unaudited)	
Net Income	$ 3,025,601	$ 3,195,775
Other Comprehensive Income (Loss)		
Net unrealized gain (loss) on available-for-sale securities	3,079,440	(177,220)
Other comprehensive income, before tax effect	3,079,440	(177,220)
Tax effect	1,179,425	(67,875)
Other comprehensive income (loss)	1,900,015	(109,345)
Comprehensive Income	$ 4,925,616	$ 3,086,430

See Condensed Notes to Consolidated Financial Statements

Table of Contents

Summit Bancorp, Inc.

Consolidated Statements of Stockholders' Equity

Three Months Ended March 31, 2014 and 2013

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2013	$ 6,129,263	$ 61,293	$ 59,502,141	$ 65,518,720	$ 4,344,016	$ (1,319,634)	$ 128,106,536
Net income	-	-	-	3,195,775	-	-	3,195,775
Other comprehensive loss	-	-	-	-	(109,345)	-	(109,345)
Issuance of 17,350 shares of common stock	17,350	173	351,165	-	-	-	351,338
Stock-based compensation	-	-	18,976	-	-	-	18,976
Sale of 23,012 shares of treasury stock	-	-	-	-	-	644,336	644,336
Purchase of 5,436 shares of common stock	-	-	-	-	-	(152,208)	(152,208)
Balance, March 31, 2013 (Unaudited)	6,146,613	61,466	59,872,282	68,714,495	4,234,671	(827,506)	132,055,408
Balance, January 1, 2014	6,163,213	61,632	60,259,867	76,157,944	(995,036)	(513,806)	134,970,601
Net income	-	-	-	3,025,601	-	-	3,025,601
Other comprehensive income	-	-	-	-	1,900,015	-	1,900,015
Sale of 17,000 shares of treasury stock	-	-	-	-	-	501,500	501,500
Purchase of 650 shares of common stock	-	-	-	-	-	(19,175)	(19,175)
Balance, March 31, 2014 (Unaudited)	$ 6,163,213	$ 61,632	$ 60,259,867	$ 79,183,545	$ 904,979	$ (31,481)	$ 140,378,542

Table of Contents

Summit Bancorp, Inc.

Consolidated Statements of Cash Flows

Three Months Ended March 31, 2014 and 2013

	2014	2013
	(Unaudited)	
Operating Activities		
Net income	$ 3,025,601	$ 3,195,775
Items not requiring (providing) cash		
Depreciation	234,085	245,118
Provision for loan losses	-	1,030,000
Provision for losses on foreclosed assets	22,880	-
Amortization and accretion, net	322,399	208,620
Federal Home Loan Bank stock dividends	(4,000)	(2,300)
Increase in cash surrender value of life insurance	(226,000)	(223,000)
Stock-based compensation	—	18,976
Net realized gains on sales of foreclosed assets	(14,427)	(46,042)
Net gains on sales of mortgage loans	(110,838)	(329,212)
Deferred income taxes	99,387	(161,806)
Changes in:		
Loans held for sale	555,582	2,927,381
Interest receivable	348,508	(160,302)
Other assets	(527,352)	(208,078)
Interest payable and other liabilities	144,391	(147,717)
Net cash provided by operating activities	3,870,216	6,347,413
Investing Activities		
Net change in interest-bearing deposits	2,636,000	(99,000)
Purchases of available-for-sale securities	(2,633,060)	(16,808,974)
Proceeds from maturities of available-for-sale securities	14,987,022	15,189,029
Purchase of life insurance	-	(3,000,000)
Net change in loans	23,857,483	(11,119,109)
Purchase of premises and equipment	(4,118)	(492,275)
Net redemptions of Federal Home Loan Bank stock	-	439,100
Proceeds from the sale of foreclosed assets	1,225,532	635,194
Net cash provided by (used in) investing activities	$ 40,068,859	$ (15,256,035)

Table of Contents

Summit Bancorp, Inc.

Consolidated Statements of Cash Flows (Continued)

Three Months Ended March 31, 2014 and 2013

	2014	2013
	(Unaudited)	
Financing Activities		
Net increase in demand deposits, savings, NOW and money market	$ 8,511,007	$ 31,355,412
Net (decrease) increase in time deposits	(15,763,555)	8,688,528
Net proceeds from (repayments of) Federal Home Loan Bank advances	260,560	(8,965,462)
Proceeds from issuance of common stock	-	351,338
Proceeds from sale of treasury stock	501,500	644,336
Purchase of treasury stock	(19,175)	(152,208)
Dividends paid	(3,065,006)	-
Net (decrease) increase in short-term borrowings	(78,250)	1,518,193
Net cash (used in) provided by financing activities	(9,652,919)	33,440,137
Increase in Cash and Cash Equivalents	34,286,156	24,531,515
Cash and Cash Equivalents, Beginning of Period	36,234,607	34,342,737
Cash and Cash Equivalents, End of Period	$ 70,520,763	$ 58,874,252
Supplemental Cash Flows Information		
Interest paid	$ 1,685,901	$ 1,843,233
Sale and financing of foreclosed assets	$ 1,225,532	$ 635,194
Real estate acquired in settlement of loans	$ 985,965	$ 130,445

Table of Contents

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Summit Bancorp, Inc. (the Company) is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Summit Bank (the Bank). The Bank is primarily engaged in providing a full range of banking and financial services to individual and business customers in Clark, Columbia, Faulkner, Garland, Hempstead, Hot Spring, Pulaski, Saline and Sebastian counties and the surrounding areas in southwest and central Arkansas. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the valuation of other real estate acquired in connection with foreclosures or in satisfaction of loans, valuation of deferred tax assets and fair values of financial instruments. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets held for sale, management obtains independent appraisals for all properties.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Interest-bearing Time Deposits in Banks

Interest-bearing time deposits in banks mature within one to five years and are carried at cost.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For debt securities with fair value below amortized cost and when the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security. The Company has not recognized any other-than-temporary impairments during the three months ended March 31, 2014 and the year ended December 31, 2013.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on loan sales are recorded in noninterest income, and direct origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon the sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses and any unamortized deferred fees or costs on originated loans.

Generally, the accrual of interest on loans is discontinued at the time the loan is 90 days past due, unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not collected, for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, and future payments are reasonably assured.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated, general and unallocated components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected losses given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data. The unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the level of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	35–40 years
Leasehold improvements	5–10 years
Equipment	3–5 years

Long-lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the three months ended March 31, 2014 and the year ended December 31, 2013.

Correspondent Bank Stock

Correspondent bank stock is a required investment for institutions that are members of the Federal Reserve Bank, First National Bankers Bank and Federal Home Loan Bank systems. The required investment in these common stocks is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Derivative Financial Instruments

Derivative financial instruments are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange-traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Stock Options

The Company has a share-based employee compensation plan, which is described more fully in *Note 11*.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance of FASB Accounting Standards Codification (ASC) 740, *Income Taxes*. The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2010.

The Company files consolidated income tax returns with its subsidiary.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock appreciation rights and stock options, which are discussed in *Note 10* and *11*, respectively, and are determined using the treasury stock method. Treasury stock shares are not deemed outstanding for earnings per share calculations. The following table sets forth the computation of basic and diluted earnings per share (EPS) for the three month periods ended March 31:

	2014 (Unaudited)	2013 (Unaudited)
Net income	$ 3,025,601	$ 3,195,775
Average common shares outstanding	6,137,915	6,073,733
Effect of common stock options and stock appreciation rights	66,008	66,436
Diluted common shares outstanding	6,203,923	6,140,169
Basic earnings per common share	$ .49	$ .53
Diluted earnings per common share	$ .49	$ .52

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation (depreciation) on available-for-sale securities.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The only component of accumulated other comprehensive (loss) income as of March 31, 2014 and December 31, 2013, is unrealized gain (loss) on securities available-for-sale, net of taxes.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 consolidated financial statement presentation. These reclassifications had no effect on net income.

Note 2: Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available-for-sale Securities				
March 31, 2014				
U.S. government-sponsored enterprises (GSEs)	$ 40,057,022	$ 127,601	$ (661,267)	$ 39,523,356
Mortgage-backed securities (GSE residential)	15,875,996	450,335	(13,102)	16,313,229
State and political subdivisions	152,731,560	2,986,638	(1,611,196)	154,107,002
Corporate and other	36,658,240	394,875	(207,143)	36,845,972
	$ 245,322,818	$ 3,959,449	$ (2,492,708)	$ 246,789,559
December 31, 2013				
U.S. government-sponsored enterprises (GSEs)	$ 40,107,828	$ 87,449	$ (949,957)	$ 39,245,320
Mortgage-backed securities (GSE residential)	16,594,903	536,086	(4,833)	17,126,156
State and political subdivisions	164,576,310	1,531,056	(2,464,679)	163,642,687
Corporate and other	36,720,137	119,007	(466,827)	36,372,317
	$ 257,999,178	$ 2,273,598	$ (3,886,296)	$ 256,386,480

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Held-to-maturity Securities				
March 31, 2014				
U.S. government and federal agencies	$ 3,999,541	$ -	$ (121,800)	$ 3,877,741
December 31, 2013				
U.S. government and federal agencies	$ 3,999,541	$ -	$ (170,120)	$ 3,829,421

The amortized cost and fair value of available-for-sale and held-to-maturity securities at March 31, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 11,071,587	$ 11,115,960	$ -	$ -
One to five years	62,880,313	63,033,846	-	-
Five to ten years	64,704,169	64,346,289	3,999,541	3,877,741
After ten years	90,790,753	91,980,235	-	-
	229,446,822	230,476,330	3,999,541	3,877,741
Mortgage-backed securities	15,875,996	16,313,229	-	-
Totals	$ 245,322,818	$ 246,789,559	$ 3,999,541	$ 3,877,741

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes was approximately $174.7 million and $182.6 million at March 31, 2014 and December 31, 2013, respectively.

The book value of securities sold under agreements to repurchase amounted to approximately $11.3 million and $11.4 million at March 31, 2014 and December 31, 2013, respectively.

There were no gains or losses on sales of available-for-sale securities during three month periods ended 2014 and 2013.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at March 31, 2014 and December 31, 2013, was $84,237,858 and $101,968,544, which is approximately 34% and 39%, respectively, of the Company's available-for-sale and held-to-maturity investment portfolio. These declines primarily resulted from recent changes in market interest rates and changes in the market's perception of the current risks.

Management believes the declines in fair value for these securities are temporary.

The following tables show gross unrealized losses that are not deemed to be other-than-temporarily impaired and fair value of investment securities, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2014 and December 31, 2013:

	March 31, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and federal agency	$ 1,939,261	$ (60,280)	$ 1,938,480	$ (61,520)	$ 3,877,741	$ (121,800)
U.S. government-sponsored enterprises (GSEs)	23,225,848	(472,737)	4,811,470	(188,530)	28,037,318	(661,267)
Mortgage-backed securities (GSE residential)	6,934	(16)	160,206	(13,086)	167,140	(13,102)
Corporate	3,039,840	(84,695)	11,215,463	(122,449)	14,255,303	(207,143)
State and political subdivisions	25,910,776	(883,852)	11,989,580	(727,344)	37,900,356	(1,611,196)
Total temporarily impaired securities	$ 54,122,659	$ (1,501,580)	$30,115,199	$ (1,112,928)	$ 84,237,858	$ (2,614,508)

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

	December 31, 2013					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and federal agency	$ 1,918,120	$ (81,880)	$ 1,911,301	$ (88,240)	$ 3,829,421	$ (170,120)
U.S. government-sponsored enterprises (GSEs)	26,894,090	(790,147)	2,840,190	(159,810)	29,734,280	(949,957)
Mortgage-backed securities (GSE residential)	7,025	(12)	170,347	(4,821)	177,372	(4,833)
Corporate	6,315,395	(119,736)	14,986,664	(347,091)	21,302,059	(466,827)
State and political subdivisions	39,015,280	(1,845,319)	7,910,132	(619,360)	46,925,412	(2,464,679)
Total temporarily impaired securities	$ 74,149,910	$ (2,837,094)	$27,818,634	$ (1,219,322)	$101,968,544	$(4,056,416)

U.S. Government and Federal Agencies, U.S. Government-sponsored Enterprises (GSEs), State and Political Subdivisions and Corporates

The unrealized losses on the Company’s investments in direct obligations of U.S. government-sponsored enterprises were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments, and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2014.

Mortgage-backed Securities (GSE Residential)

The unrealized losses on the Company’s investments in residential mortgage-backed securities were caused by interest rate changes. The Company expects to recover the amortized cost bases over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2014.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Note 3: Loans and Allowance for Loan Losses

Classes of loans at March 31, 2014 and December 31, 2013 include:

	March 31, 2014	December 31, 2013
Mortgage loans on real estate		
Commercial	$ 315,230,200	$ 317,818,318
Construction	55,782,223	57,014,000
Multifamily	36,190,718	36,052,575
Residential 1–4 family	186,063,435	189,562,134
Second mortgages	7,732,396	7,949,300
Total mortgage loans on real estate	600,998,972	608,396,327
Commercial	128,635,308	145,093,433
Consumer	21,594,966	22,794,015
Other	44,152	237,455
Gross loans	751,273,398	776,521,230
Less allowance for loan losses	13,282,590	13,686,974
Net loans	$ 737,990,808	$ 762,834,256

Table of Contents

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of March 31, 2014 and December 31, 2013.

	March 31, 2014					
	Commercial	Commercial Real Estate	Residential	Consumer and Other	Unallocated	Total
Allowance for loan losses:						
Balance, beginning of period	$ 1,234,852	$ 2,960,543	$ 1,950,349	$ 92,421	$7,448,809	$ 13,686,974
Provision charged to expense	(49,000)	(315,000)	-	(12,000)	376,000	-
Losses charged off	(21,000)	-	(400,000)	(20,000)	-	(441,000)
Recoveries	7,587	1,552	1,366	26,111	-	36,616
Balance, end of period	$ 1,172,439	$ 2,647,095	$ 1,551,715	$ 86,532	$7,824,809	$ 13,282,590
Ending balance:						
Individually evaluated for impairment	$ 17,964	$ 231,651	$ 24,587	$ -	$ -	$ 274,202
Ending balance:						
Collectively evaluated for impairment	$ 1,154,475	$ 2,415,444	$ 1,527,128	$ 86,532	$7,824,809	$ 13,008,388
Loans:						
Ending balance	$128,635,308	$ 315,230,200	$285,768,772	$ 21,639,118	$ -	$ 751,273,398
Ending balance:						
Individually evaluated for impairment	$ 504,608	$ 9,048,912	$ 1,158,031	$ -	$ -	$ 10,711,551
Ending balance:						
Collectively evaluated for impairment	$128,130,700	$ 306,181,288	$284,610,741	$ 21,639,118	$ -	$ 740,561,847

	December 31, 2013					
	Commercial	Commercial Real Estate	Residential	Consumer and Other	Unallocated	Total
Allowance for loan losses:						
Balance, beginning of year	$ 2,480,131	$ 2,531,847	$ 402,152	$ 397,011	$7,592,809	$ 13,403,950
Provision charged to expense	(1,237,000)	427,000	3,596,000	(242,000)	(144,000)	2,400,000
Losses charged off	(47,279)	(163,304)	(2,131,803)	(163,590)	-	(2,505,976)
Recoveries	39,000	165,000	84,000	101,000	-	389,000
Balance, end of year	$ 1,234,852	$ 2,960,543	$ 1,950,349	$ 92,421	$7,448,809	$ 13,686,974
Ending balance:						
Individually evaluated for impairment	$ 20,053	$ 292,819	$ 310,061	$ -	$ -	$ 622,933
Ending balance:						
Collectively evaluated for impairment	$ 1,214,799	$ 2,667,724	$ 1,640,288	$ 92,421	$7,448,809	$ 13,064,041
Loans:						
Ending balance	$145,093,433	$ 317,818,318	$290,578,009	$ 23,031,470	$ -	$ 776,521,230
Ending balance:						
Individually evaluated for impairment	$ 541,983	$ 9,122,120	$ 3,171,453	$ -	$ -	$ 12,835,556
Ending balance:						
Collectively evaluated for impairment	$144,551,450	$ 308,696,198	$287,406,556	$ 23,031,470	$ -	$ 763,685,674

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Internal Risk Categories

Loan grades are numbered 1 through 10. Grades 1 through 6 are considered satisfactory grades. Grade 7 (Special Mention) represent loans of lower quality and are considered criticized. The grades of 8 (Substandard), 9 (Doubtful) and 10 (Loss) refer to assets that are classified. The use and application of these grades by the Company are uniform and conform to the Company's policy.

1 – Cash Secured and U.S. Government Guaranteed

Borrowers in this category exhibit virtually no risk. The loan is properly structured with an appropriate maturity not to exceed the life of the collateral instrument. No credit or collateral exceptions exist, and the loan adheres to policy in every respect. Typically, loans are fully secured by Summit Bank deposits or a portion of the loan is guaranteed by a U.S. Agency.

2 – Investment Grade

Borrowers of the highest quality, presently and prospectively. There is virtually no risk in lending to this class. Cash flows over at least five years demonstrate exceptionally large and/or stable margins of protection. Balance sheets are very conservative and strong with liquid assets. Projected cash flows, including anticipated credit extensions, exhibit strong trends in margins of protection, liquidity and debt service coverage. Excellent asset quality and management. Typically, large national companies with a significant share of a major, stable industry. Loans fully secured by certificates of deposit held at other banks should be rated in this category, provided the pledge agreement has been properly acknowledged by the other bank.

Loans secured by marketable securities should be rated in this category, provided a collateral maintenance agreement is in place.

3 – High Pass

Borrowers in the first quartile of industry with excellent prospects. Very good asset quality and liquidity; consistently strong debt capacity and coverage; and very good management. The credit extension is considered definitely sound. Typically major regional companies in relatively stable industries.

4 – Medium Pass

Borrowers with elements of strength in such areas as liquidity, stability of margins and cash flows, diversity of assets, and better than average debt capacity. The margin of protection is good. Well-established regional and excellent local companies operating in a reasonably stable industry that may be moderately affected by the business cycle and moderately open to changes, usually in the first quartile of industry. Management and owners have unquestioned character, as demonstrated by repeated performance.

5 – Pass

Borrowers with smaller margins of debt service coverage and with some elements of reduced strength. Satisfactory asset quality and liquidity; good debt capacity and coverage; and good management in critical positions. These companies have good margins of protection and will definitely qualify as attractive borrowers and are usually in the second quartile of industry. A loss year or a somewhat declining earnings trend may occur, but borrowers have sufficient strength and financial flexibility to offset these issues. These are typically solid companies often operating in cyclical industries that are somewhat vulnerable to change. Management and owners have unquestioned character. Depth of management may become an issue in a growing firm.

6 – Low Pass

Borrowers with declining earnings, strained cash flow, increasing leverage and/or weakening market fundamentals that indicates above average risk. These borrowers generally have limited additional debt capacity and modest coverage and average or below average asset quality, margins and market share. Some management weakness may exist. Also, borrowers who are currently performing as agreed but could be adversely affected by such developing factors as deteriorating industry conditions, operating problems, pending litigation of a significant nature, or declining collateral quality/adequacy, and so forth. Companies with average or smaller market shares operating in a cyclical or declining industry, and usually in the third quartile of industry. Start-up companies will generally be in this category. Management and owners have good character, with no basis for questions. Minor covenant violations may be noted. Loans in this category usually require additional attention from bank management.

7 – Special Mention

Borrowers who exhibit potential credit weaknesses or downward trends deserving bank management’s close attention. If not checked or corrected, these trends will weaken the bank’s asset and position. While potentially weak, these borrowers are currently marginally acceptable; no loss of principal or interest is envisioned. As a result, special mention assets do not expose an institution to sufficient risk to warrant adverse classification. Included in special mention assets could be turnaround situations, as well as those borrowers previously rated 4–6 who have shown deterioration, for whatever reason, indicating a downgrading from the better categories. Typically companies in deteriorating industries or with a poor and declining market share in an average industry, or with chronic past due history with no mitigating circumstances. Some elements of asset quality, financial flexibility or management are below average. Management and owners may have limited depth and backup. Borrowers who have been or would normally be categorized special mention by regulatory authorities.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

8 – Substandard

A substandard asset is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged. Assets so classified must have well-defined weaknesses that jeopardize the liquidation of the debt. They are characterized with the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

The weaknesses may include, but are not limited to: high leverage, declining or negative earnings trends, deteriorating or inadequate liquidity, improper loan structure, and questionable repayment source, lack of well-defined secondary sources or weak guarantors, and unfavorable competitive comparison. The loan may have exhibited excessive renewals with little or no principal reduction. Indicators may include:

- Fiscal year-end losses.
- Chronic past due history, unless mitigating circumstances are documented and credit issues have been resolved.
- Repeated violation of loan agreement or covenants.
- Chronic history of overdrafts with no mitigating circumstances.

9 – Doubtful

This category is reserved for loans that have advanced to the point that collection in full is improbable. These loans are not yet rated Loss because pending circumstances make it difficult to identify a specific dollar amount and/or impending timing of the ultimate loss. The circumstances may include: legal proceedings; organization restructured; expected acquisition; capital injection; or liquidation. Generally, this category should not be used for extended periods of time, and charge downs should be taken in a timely manner.

10 – Loss

These assets are considered uncollectible. This classification does not mean that an asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Risk characteristics applicable to each segment of the loan portfolio are described as follows.

Residential 1–4 Family and Equity Lines of Credit Real Estate: The residential 1–4 family real estate are generally secured by owner-occupied 1–4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Commercial Real Estate: Commercial real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Construction and Land Development Real Estate: Construction and land development real estate loans are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained.

These loans are considered to be higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Commercial: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Consumer: The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors, such as unemployment and general economic conditions in the Company's market area and the creditworthiness of a borrower.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The following tables present the credit risk profile of the Company's loan portfolio based on internal rating category and payment activity as of March 31, 2014 and December 31, 2013.

	March 31, 2014					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Mortgage loans on real estate						
Commercial	$ 298,223,213	$ 5,259,125	$ 11,747,862	$ -	$ -	$ 315,230,200
Construction	54,224,570	488,313	1,069,340	-	-	55,782,223
Multifamily	34,806,402	685,456	698,860	-	-	36,190,718
Residential 1–4 family	176,119,321	1,645,227	8,298,887	-	-	186,063,435
Second mortgages	7,732,396	-	-	-	-	7,732,396
Total mortgage loans on real estate	571,105,902	8,078,121	21,814,949	-	-	600,998,972
Commercial	127,134,291	663,273	837,744	-	-	128,635,308
Consumer	21,346,443	111,812	136,711	-	-	21,594,966
Other	44,152	-	-	-	-	44,152
Total loans	$ 719,630,788	$ 8,853,206	$ 22,789,404	$ 0	$ 0	$ 751,273,398

	December 31, 2013					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Mortgage loans on real estate						
Commercial	$ 302,240,785	$ 4,658,906	$ 10,918,627	$ -	$ -	$ 317,818,318
Construction	55,444,453	488,313	1,081,234	-	-	57,014,000
Multifamily	34,658,236	691,039	703,300	-	-	36,052,575
Residential 1–4 family	178,378,357	1,693,217	9,490,560	-	-	189,562,134
Second mortgages	7,949,300	-	-	-	-	7,949,300
Total mortgage loans on real estate	578,671,131	7,531,475	22,193,721	-	-	608,396,327
Commercial	144,288,065	157,375	647,993	-	-	145,093,433
Consumer	22,522,329	120,292	151,394	-	-	22,794,015
Other	237,455	-	-	-	-	237,455
Total loans	$ 745,718,980	$ 7,809,142	$ 22,993,108	$ 0	$ 0	$ 776,521,230

The Company evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of March 31, 2014 and December 31, 2013:

	March 31, 2014						
	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Mortgage loans on real estate							
Commercial	$ 3,843,120	$ 41,558	$ 3,330,975	$ 7,215,653	$308,014,547	$315,230,200	$ -
Construction	-	18,463	5,736	24,199	55,758,024	55,782,223	-
Multifamily	-	-	-	-	36,190,718	36,190,718	-
Residential 1–4 family	2,394,807	74,904	1,244,962	3,714,673	182,348,762	186,063,435	-
Second mortgages	180,166	-	92,136	272,302	7,460,094	7,732,396	-
Total mortgage loans on real estate	6,418,093	134,925	4,673,809	11,226,827	589,772,145	600,998,972	-
Commercial	87,119	741,714	504,609	1,333,442	127,301,866	128,635,308	-
Consumer	124,058	67,957	59,367	251,382	21,343,584	21,594,966	13,607
Other	-	-	-	-	44,152	44,152	-
Total	$ 6,629,270	$ 944,596	$ 5,237,785	$ 12,811,651	$738,461,747	$751,273,398	$ 13,607

	December 31, 2013						
	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Mortgage loans on real estate							
Commercial	$ 207,886	$ 145,969	$ 3,364,445	$ 3,718,300	$314,100,018	$317,818,318	$ -
Construction	42,415	-	516,300	558,715	56,455,285	57,014,000	488,000
Multifamily	-	-	-	-	36,052,575	36,052,575	-
Residential 1–4 family	2,385,046	304,739	3,419,099	6,108,884	183,453,250	189,562,134	133,000
Second mortgages	56,841	23,067	82,177	162,085	7,787,215	7,949,300	-
Total mortgage loans on real estate	2,692,188	473,775	7,382,021	10,547,984	597,848,343	608,396,327	621,000
Commercial	70,033	69,230	613,899	753,162	144,340,271	145,093,433	50,000
Consumer	205,902	138,977	65,368	410,247	22,383,768	22,794,015	-
Other	-	-	-	-	237,455	237,455	-
Total	$ 2,968,123	$ 681,982	$ 8,061,288	$ 11,711,393	$764,809,837	$776,521,230	$ 671,000

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when, based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans, but also include loans modified in troubled debt restructurings.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The following tables present impaired loans for the three months ended March 31, 2014 and for the year ended December 31, 2013:

	March 31, 2014				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Mortgage loans on real estate					
Commercial	$ 9,048,912	$14,472,249	$ 231,651	$ 9,085,516	$ 61,112
Construction	504,608	512,112	17,964	523,296	-
Multifamily	-	-	-	-	-
Residential 1–4 family	1,158,031	1,935,604	24,587	2,164,742	-
Second mortgages	-	-	-	-	-
Total mortgage loans on real estate	10,711,551	16,919,965	274,202	11,773,554	61,112
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Other	-	-	-	-	-
Total	$10,711,551	$16,919,965	$ 274,202	$ 11,773,554	$ 61,112

	December 31, 2013				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Mortgage loans on real estate					
Commercial	$ 9,122,120	$ 9,472,120	$ 292,819	$ 9,637,255	$ 195,063
Construction	541,983	541,983	20,053	135,496	-
Multifamily	-	-	-	-	-
Residential 1–4 family	3,171,453	5,781,453	310,061	5,148,936	-
Second mortgages	-	-	-	127,339	-
Total mortgage loans on real estate	12,835,556	15,795,556	622,933	15,049,026	195,063
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Other	-	-	-	-	-
Total	$12,835,556	$15,795,556	$ 622,933	$ 15,049,026	$ 195,063

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The following table presents the Company's nonaccrual loans at March 31, 2014 and December 31, 2013. This table excludes performing troubled debt restructurings.

	March 31, 2014	December 31, 2013
Mortgage loans on real estate		
Commercial	$ 3,369,964	$ 3,405,344
Construction	5,736	27,986
Multifamily	-	-
Residential 1–4 family	2,486,941	4,222,434
Second mortgages	92,136	82,178
Total mortgage loans on real estate	5,954,777	7,737,942
Commercial	522,067	571,272
Consumer	101,876	69,175
Other	-	-
Total nonaccrual loans	$ 6,578,720	$ 8,378,389

Loans and leases on which the accrual of interest has been discontinued aggregated $6.6 million and $8.4 million at March 31, 2014 and December 31, 2013, respectively. Interest income collected and recognized during the three months ended 2014 and 2013 for nonaccrual loans and leases held at March 31, 2014 and 2013, was $0. Under the original terms, these loans and leases would have reported $91,000 and $70,000 of interest income for the three months ended March 31, 2014 and 2013, respectively.

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. At March 31, 2014 and December 31, 2013, troubled debt restructurings were approximately $8,471,000 and $9,777,000, respectively.

At March 31, 2014 and December 31, 2013, the Company had a number of loans that were modified in troubled debt restructurings and impaired. The modification of terms of such loans included one or a combination of the following: an extension of maturity, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The following tables present information regarding troubled debt restructurings by class for the periods ended March 31, 2014 and the year ended December 31, 2013:

	March 31, 2014		
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Mortgage loans on real estate			
Commercial	2	$ 7,814,136	$ 7,814,136
Construction	-	-	-
Multifamily	-	-	-
Residential 1–4 family	8	993,852	625,852
Second mortgages	1	31,001	31,001
Commercial	-	-	-
Consumer	-	-	-
Other	-	-	-
	11	$ 8,838,989	$ 8,470,989

	December 31, 2013		
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Mortgage loans on real estate			
Commercial	2	$ 7,853,875	$ 7,853,875
Construction	-	-	-
Multifamily	-	-	-
Residential 1–4 family	9	2,884,703	1,891,703
Second mortgages	1	32,305	31,315
Commercial	-	-	-
Consumer	-	-	-
Other	-	-	-
	12	$ 10,770,883	$ 9,776,893

The troubled debt restructurings described above did not affect the allowance for loan losses or result in any charge-offs during the three months ended March 31, 2014 and the year ended December 31, 2013.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The following tables present restructured loans by type of modification:

	March 31, 2014			
	Interest Only	Term	Combination	Total Modification
Mortgage loans on real estate				
Commercial	$2,097,324	$ 5,716,812	$ -	$ 7,814,136
Construction	-	-	-	-
Multifamily	-	-	-	-
Residential 1–4 family	579,398	-	46,454	625,852
Second mortgage	31,001	-	-	31,001
Commercial	-	-	-	-
Consumer	-	-	-	-
Other	-	-	-	-
	$2,707,723	$ 5,716,812	$ 46,454	$ 8,470,989

	December 31, 2013			
	Interest Only	Term	Combination	Total Modification
Mortgage loans on real estate				
Commercial	$2,097,324	$ 5,756,551	$ -	$ 7,853,875
Construction	-	-	-	-
Multifamily	-	-	-	-
Residential 1–4 family	933,833	901,079	56,791	1,891,703
Second mortgage	31,315	-	-	31,315
Commercial	-	-	-	-
Consumer	-	-	-	-
Other	-	-	-	-
	$3,062,472	$ 6,657,630	$ 56,791	$ 9,776,893

There were no troubled debt restructurings (TDRs) modified during the periods that subsequently defaulted.

As of March 31, 2014, there were no borrowers with loans designated as TDRs that met the criteria for placement back on accrual status. This criteria is a minimum of six months of payment performance under existing or modified terms.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Note 4: Derivative Financial Instruments

In the normal course of business, the Company uses various derivative financial instruments to manage its interest rate risk and market risks in accommodating the needs of its customers. These instruments carry varying degrees of credit, interest rate and market or liquidity risks. Derivative financial instruments are recognized as either assets or liabilities in the accompanying consolidated financial statements and are measured at fair value.

During 2011, the Company entered into three interest rate cap agreements. The agreements provided for the Company to receive interest from the counterparties if the three-month LIBOR exceeds 1.25%, 1.25% and 1.43%, respectively, on notional amounts aggregating $32.5 million at March 31, 2014 and December 31, 2013. The agreements were purchased at premiums of approximately $1,302,000 and expire in 2016.

During 2012, the Company entered into one interest rate cap agreement. The agreement provided for the Company to receive interest from the counterparty if the three-month LIBOR exceeds 1.50% on a notional amount of $10.0 million at March 31, 2014 and December 31, 2013. The agreement was purchased at a premium of approximately $191,000 and expires on May 17, 2017.

During 2013, the Company entered into two interest rate cap agreements. The agreements provided for the Company to receive interest from the counterparties if the three-month LIBOR exceeds 1.31% and 1.28%, respectively, on notional amounts aggregating $15.0 million at March 31, 2014 and December 31, 2013. The agreements were purchased at premiums of approximately $285,000 and expire in 2018.

At March 31, 2014 and December 31, 2013, the approximate fair value of the derivative instruments was an asset of approximately $614,000 and $718,000, respectively. The fair value of the derivative financial instruments are included in other assets and any changes to the fair value are recorded in other interest expense.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Note 5: Interest-bearing Deposits

Interest-bearing time deposits in denominations of $100,000 or more were $223.7 million on March 31, 2014, and $233.5 million on December 31, 2013.

As of March 31, 2014 and December 31, 2013, brokered deposits of approximately $79.5 million and $79.3 million, respectively, were included in time deposits in denominations of $100,000 or more.

As of March 31, 2014, the scheduled annual maturities of time deposits are as follows:

2014	$ 200,430,952
2015	104,265,337
2016	47,449,933
2017	15,877,372
2018	5,959,999
Thereafter	1,992,557
	$ 375,976,150

Note 6: Short-term Borrowings

At March 31, 2014 and December 31, 2013, short-term borrowings included securities sold under agreements to repurchase of $11,324,171 and $11,402,421, respectively, consist of obligations of the Company to other parties and are recorded as short-term borrowings in the consolidated balance sheets. The obligations are secured by available-for-sale securities, and such collateral is held by the Company’s safekeeping agent. The maximum amount of outstanding agreements at any month-end during the three months ended March 31, 2014 and during the year ended December 31, 2013 totaled $13,010,473 and $16,191,648, respectively, and the monthly average of such agreements totaled $11,958,260 and $14,912,721 for the three months ended March 31, 2014 and during the year ended December 31, 2013, respectively. The agreements at March 31, 2014, mature overnight.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Note 7: Federal Home Loan Bank Advances

At March 31, 2014 and December 31, 2013, Federal Home Loan Bank advances of $42,563,226 and $42,302,666, respectively, were recorded by the Company.

The Federal Home Loan Bank advances are secured by a blanket lien on mortgage loans totaling $312,620,633 and $316,700,312 at March 31, 2014 and December 31, 2013, respectively. Advances at interest rates from 0.37% to 5.28% are subject to restrictions or penalties in the event of prepayment.

Aggregate annual maturities of Federal Home Loan Bank advances at March 31, 2014, are:

2014	$ 5,000,000
2015	3,240,688
2016	18,103,187
2017	10,380,827
2018	5,598,065
Thereafter	240,459
	$ 42,563,226

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Note 8: Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Company's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of March 31, 2014, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of March 31, 2014, the most recent notification from the Federal Deposit Insurance Corporation categorized the Company and the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Company and the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Company's or the Bank's category.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The Company's and the Bank's actual capital amounts and ratios are also presented in the following table.

	Actual		Minimum Capital Requirement		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2014						
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 149,700,000	18.4%	$ 65,200,000	8.0%	N/A	N/A
Summit Bank	146,659,000	18.1%	64,995,000	8.0%	$ 81,243,000	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Consolidated	139,474,000	17.1%	32,600,000	4.0%	N/A	N/A
Summit Bank	136,465,000	16.8%	32,497,000	4.0%	48,746,000	6.0%
Tier I Capital (to Average Assets)						
Consolidated	139,474,000	11.9%	46,955,000	4.0%	N/A	N/A
Summit Bank	136,465,000	11.6%	46,955,000	4.0%	58,694,000	5.0%
As of December 31, 2013						
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 146,528,000	17.4%	$ 67,345,000	8.0%	N/A	N/A
Summit Bank	143,605,000	17.1%	67,171,000	8.0%	$ 83,964,000	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Consolidated	135,966,000	16.2%	33,672,000	4.0%	N/A	N/A
Summit Bank	133,074,000	15.9%	33,586,000	4.0%	50,378,000	6.0%
Tier I Capital (to Average Assets)						
Consolidated	135,966,000	11.3%	47,994,000	4.0%	N/A	N/A
Summit Bank	133,074,000	11.1%	47,994,000	4.0%	59,993,000	5.0%

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At March 31, 2014, approximately $22.8 million of retained earnings was available for dividend declaration without prior regulatory approval.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Note 9: Related Party Transactions

At March 31, 2014 and December 31, 2013, the Company had loans outstanding to executive officers, directors, significant shareholders and their affiliates (related parties) in the amount of $1,012,655 and $1,780,645, respectively.

	Three Months Ended March 31, 2014	Year Ended December 31, 2013
Beginning balance	$ 1,780,645	$ 1,975,664
New loans	350,000	620,000
Repayments	(1,117,990)	(815,019)
Ending balance	$ 1,012,655	$ 1,780,645

Deposits from related parties held by the Company at March 31, 2014 and December 31, 2013, totaled $5,296,433 and $4,997,472, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Note 10: Employee Benefits

The Company has a retirement savings 401(k) plan (the Plan) that covers substantially all employees. The Company's contributions to the Plan are determined annually by the board of directors. Employer contributions charged to expense were $107,769 and $114,709 for the three months ended 2014 and 2013, respectively.

Pursuant to the Company's 2007 Stock Option and Stock Appreciation Rights Plan, the Company can grant Stock Appreciation Rights (SARs) to certain employees. Participant employees that are granted SARs are entitled to receive cash equal to the excess of the per share market value on the date of exercise over the per share market value of the Company's stock on the grant date. During the three months ended March 31, 2014 and the year ended December 31, 2013, the Company did not grant any SARs. Total SARs granted and outstanding were 11,900 shares at both March 31, 2014 and December 31, 2013. The Company applies FASB ASC 718 and related interpretations to measure compensation expense. The expense recognized for the SARs for 2014 and 2014 was immaterial. As of March 31, 2014 and December 31, 2013, the Company had accrued $44,300 for SARs.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Note 11: Stock Option Plan

The Company's 2007 Stock Option and Stock Appreciation Rights Plan (the Plan), which is shareholder approved, permits the grant of stock options to its employees. The Plan initially reserved 581,578 shares (as adjusted for the 2007 stock split) to be issued under the Plan. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards generally vest based on five years of continuous service. Certain option and share awards provide for accelerated vesting if there is a change in control (as defined in the Plan).

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Valuation Model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's stock and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. There were no options granted during 2014.

	Year Ended December 31, 2013
Expected volatility	0.01%
Weighted-average volatility	0.01%
Expected dividends (per share)	$ 0.50
Expected term (in years)	5
Risk-free rate	.71%

Table of Contents

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

A summary of option activity under the Plan as of March 31, 2014 and December 31, 2013, and changes during the three months ended March 31, 2014 and the year ended December 31, 2013 is presented below:

	March 31, 2014		
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding, beginning of period	434,250	$ 25.82	-
Granted	-	-	-
Exercised	-	-	-
Forfeited or expired	(5,000)	25.25	-
Outstanding, end of period	429,250	$ 25.82	2.19
Exercisable, end of period	-	$ -	-

	December 31, 2013		
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding, beginning of year	423,450	$ 25.09	-
Granted	45,750	28.42	-
Exercised	(33,950)	20.37	-
Forfeited or expired	(1,000)	20.25	-
Outstanding, end of year	434,250	$ 25.82	2.43
Exercisable, end of year	-	$ -	-

The weighted-average grant-date fair value of options granted during 2014 was $1.08. The total intrinsic value of options exercised during the year ended December 31, 2013, was $267,288.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

As of March 31, 2014 and December 31, 2013, there was $134,304 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.0. There were no shares vested during the three months ended March 31, 2014. The total fair value of shares vested during the year ended December 31, 2013 was $958,850. The recognized tax benefit related thereto was $0 for the year ended December 31, 2013.

A summary of the status of the Company's nonvested shares as of March 31, 2014 and December 31, 2013, and changes during the three months ended March 31, 2014 and the year ended December 31, 2013 is presented below:

March 31, 2014	Shares	Weighted-Average Grant-Date Fair Value
Nonvested, beginning of period	434,250	$ 3.68
Granted	—	—
Vested and exercised	—	—
Forfeited or expired	(5,000)	(4.25)
Nonvested, end of period	429,250	$ 3.68

December 31, 2013	Shares	Weighted-Average Grant-Date Fair Value
Nonvested, beginning of year	423,450	$ 2.91
Granted	45,750	1.08
Vested and exercised	(33,950)	(9.13)
Forfeited or expired	(1,000)	(9.25)
Nonvested, end of year	434,250	$ 3.68

Summit Bancorp, Inc.
Condensed Notes to Consolidated Financial Statements
March 31, 2014 (Unaudited) and December 31, 2013

Note 12: Operating Leases

The Company has several noncancellable operating leases, primarily for branch banking, that expire over the next 17 years. These leases generally contain renewal options for periods ranging from 1 to 10 years. Rental expense for these leases was $228,273 and $219,265 for the three months ended March 31, 2014 and 2013, respectively.

Future minimum lease payments under operating leases are:

	Operating Leases
2014	$ 769,859
2015	825,210
2016	623,986
2017	591,909
2018	591,909
Thereafter	3,697,100
Total minimum lease payments	$ 7,099,973

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2014 and December 31, 2013:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2014				
U.S. government-sponsored enterprises (GSEs)	$ 39,523,356	$ -	$ 39,523,356	$ -
Mortgage-backed securities (GSE residential)	16,313,229	-	16,313,229	-
State and political subdivisions	154,107,002	-	129,931,580	24,175,422
Corporate and other	36,845,972	9,715,921	27,130,051	-
December 31, 2013				
U.S. government-sponsored enterprises (GSEs)	$ 39,245,320	$ -	$ 39,245,320	$ -
Mortgage-backed securities (GSE residential)	17,126,156	-	17,126,156	-
State and political subdivisions	163,642,687	-	139,412,611	24,230,076
Corporate and other	36,372,317	9,250,749	27,121,568	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the three months ended March 31, 2014 and the year ended December 31, 2013. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Company’s management. The Company’s management contracts with a pricing specialist to generate fair value estimates on a quarterly basis. The Company’s management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Derivative Financial Investments

The fair value of derivative financial instruments is not presented since management believes the fair value to be insignificant.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs:

	State and Political Subdivisions
Balance, January 1, 2013	$ 26,116,528
Purchases	-
Settlements	(1,637,329)
Balance, March 31, 2013	24,479,199
Purchases	-
Settlements	(249,123)
Balance, December 31, 2013	24,230,076
Purchases	-
Settlements	(54,654)
Balance, March 31, 2014	$ 24,175,422

There were no significant realized or unrealized gains or losses related to Level 3 available-for-sale securities included in net income or other comprehensive income for the three months ended March 31, 2014 and the year ended December 31, 2013.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Nonrecurring Measurements

The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2014 and December 31, 2013:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2014				
Collateral-dependent impaired loans	$ 10,436,498	$ -	$ -	$ 10,436,498
Foreclosed assets held for sale, net	3,168,526	-	-	3,168,526
December 31, 2013				
Collateral-dependent impaired loans	$ 12,212,623	$ -	$ -	$ 12,212,623
Foreclosed assets held for sale, net	3,392,440	-	-	3,392,440

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-dependent Impaired Loans, Net of ALLL

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the Company.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Appraisals are reviewed for accuracy and consistency by the Company. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Company by comparison to historical results.

Foreclosed Assets Held for Sale

Foreclosed assets held for sale are carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value of foreclosed assets held for sale is based on appraisals or evaluations. Foreclosed assets held for sale are classified within Level 3 of the fair value hierarchy.

Appraisals of foreclosed assets held for sale are obtained when the real estate is acquired and subsequently as deemed necessary by the Company. Appraisals are reviewed for accuracy and consistency by the Company. Appraisers are selected from the list of approved appraisers maintained by management.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

	Fair Value 3/31/14	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent impaired loans	$ 10,436,498	Market comparable properties	Marketability discount	0–25%
Foreclosed assets held for sale, net	$ 3,168,526	Market comparable properties	Comparability adjustments (%)	Not available
State and political subdivisions	$ 24,175,422	Discounted cash flows	Unrated security yield adjustment	3–5%
			Marketability yield adjustment	1–3%

Table of Contents

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

The following table presents estimated fair values of the Company's financial instruments not previously disclosed at March 31, 2014 and December 31, 2013.

	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 70,520,763	$ 70,520,763	$ 36,234,607	$ 36,234,607
Interest-bearing time deposits in banks	55,691,000	55,691,000	58,327,000	58,327,000
Held-to-maturity securities	3,999,541	3,877,741	3,999,541	3,829,421
Mortgage loans held for sale	541,417	541,417	986,161	986,161
Loans, net of allowance for loan losses	737,990,808	730,492,604	762,834,256	755,355,074
Correspondent bank stock	3,626,935	3,626,935	3,622,935	3,622,935
Interest receivable	4,439,871	4,439,871	4,788,379	4,788,379
Financial liabilities				
Deposits	$ 986,446,386	$ 987,149,571	$ 993,698,934	$ 994,718,205
Short-term borrowings	11,324,171	11,324,171	11,402,421	11,402,421
Federal Home Loan Bank advances	42,563,226	44,196,493	42,302,666	44,049,847
Interest payable	519,244	519,244	550,592	550,592

Cash and Cash Equivalents and Interest-bearing Time Deposits in Banks

The carrying amount approximates fair value.

Held-to-maturity Securities

Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans Held for Sale

The carrying amount approximates fair value due to the insignificant time between origination and date of sale. The carrying amount is the amount funded and accrued interest.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Loans

Fair value is estimated by discounting the future cash flows using the market rates at which similar notes would be made to borrowers with similar credit ratings and for the same remaining maturities. The market rates used are based on current rates the Company would impose for similar loans and reflect a market participant assumption about risks associated with nonperformance, illiquidity and the structure and term of the loans along with local economic and market conditions.

Correspondent Bank Stock

Fair value is estimated at book value due to restrictions that limit the sale or transfer of such securities.

Accrued Interest Receivable and Payable

The carrying amount approximates fair value. The carrying amount is determined using the interest rate, balance and last payment date.

Deposits

Fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The market rates used were obtained from a knowledgeable independent third party and reviewed by the Company. The rates were the average of current rates offered by local competitors of the Company.

The estimated fair value of demand, NOW, savings and money market deposits is the book value since rates are regularly adjusted to market rates and amounts are payable on demand at the reporting date.

Short-Term Borrowings

The carrying amount approximates fair value.

Federal Home Loan Bank Advances

Fair value is estimated by discounting the future cash flows using rates of similar advances with similar maturities. These rates were obtained from current rates offered by the Federal Home Loan Bank (FHLB).

The fair value of commitments to extend credit, letters of credit and forward sale commitments is not presented since management believes the fair value to be insignificant.

Table of Contents

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk. Other significant estimates and concentrations not discussed in those footnotes include:

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Investments

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 15: Commitments and Credit Risk

The Company grants commercial, residential and consumer loans to customers in the southwest and central portions of Arkansas. Although the Company has a diversified loan portfolio, a majority of commercial and consumer loans are secured by real estate mortgages in Clark, Columbia, Faulkner, Garland, Hempstead, Hot Spring, Pulaski, Sebastian and Saline counties and the surrounding areas in southwest and central Arkansas. As of March 31, 2014 and December 31, 2013, real estate loans comprised approximately 85% of the portfolio.

Summit Bancorp, Inc.

Condensed Notes to Consolidated Financial Statements

March 31, 2014 (Unaudited) and December 31, 2013

Commitments to Extend Credit

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. The commitments are at fixed and variable interest rates.

At March 31, 2014 and December 31, 2013, the Company had outstanding commitments to extend credit aggregating approximately $19.4 million and $18.1 million, respectively. The commitments extended over varying periods of time with the majority being disbursed within a one-year period.

Mortgage loans in the process of origination represent amounts that the Company plans to fund within a normal period of 60 to 90 days and are intended for sale to investors in the secondary market. Total mortgage loans in the process of origination amounted to $6,906,917 and $6,871,857, and mortgage loans held for sale amounted to $541,417 and $986,161 at March 31, 2014 and December 31, 2013, respectively.

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should the Company be obligated to perform under the standby letters of credit, the Company may seek recourse from the customer for reimbursement of amounts paid.

The Company had total outstanding standby letters of credit amounting to $775,000 and $711,000 at March 31, 2014 and December 31, 2013, respectively, with terms of 12 months.

Table of Contents

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as those for on-balance-sheet instruments.

The Company had granted unused lines of credit to borrowers aggregating approximately $43.3 and $43.9 million at March 31, 2014 and December 31, 2013, respectively. At March 31, 2014, unused lines of credit to borrowers aggregated approximately $32.3 million for commercial lines and approximately $10.9 million for open-end consumer lines. At December 31, 2013, unused lines of credit to borrowers aggregated approximately $32.2 million for commercial lines and approximately $11.7 million for open-end consumer lines.

Note 16: Subsequent Events

Subsequent events have been evaluated through May 20, 2014, which is the date the consolidated financial statements were available to be issued.

On January 30, 2014, Summit Bancorp, Inc. entered into a definitive agreement and plan of merger with Bank of the Ozarks, Inc. This agreement provides that, upon the terms and subject to the conditions set forth therein, Summit Bancorp, Inc. will merge with and into Bank of the Ozarks, Inc. and Summit Bank will merge with and into Bank of the Ozarks. Approval has been received from all required regulators and the merger closed on May 16, 2014.

(Back To Top)

Section 8: EX-99.3 (EX-99.3)

Exhibit 99.3

On May 16, 2014, Bank of the Ozarks, Inc. (the "Company") completed its acquisition of Summit Bancorp, Inc. ("Summit") and its wholly-owned bank subsidiary, Summit Bank, pursuant to a previously announced agreement and plan of merger dated January 30, 2014 (the "Merger Agreement") whereby Summit merged with and into the Company and Summit Bank merged with and into the Company's wholly-owned bank subsidiary, Bank of the Ozarks (the "Bank"), effective May 16, 2014. Pursuant to the terms of the Merger Agreement, the Company issued approximately 2.88 million shares of its common stock and approximately $42.4 million in cash for all outstanding shares of Summit common stock.

The following unaudited pro forma combined consolidated financial statements as of and for the three months ended March 31, 2014 combine the historical consolidated financial statements of the Company and Summit. The unaudited pro forma combined consolidated financial statements give effect to the Summit merger as if it had occurred on March 31, 2014 with respect to the unaudited pro forma combined consolidated balance sheet and on January 1, 2013 with respect to the unaudited pro forma combined consolidated income statement.

The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what the Company's actual results of operations or financial condition would have been had the transaction described above occurred on the dates indicated, nor does it purport to represent the future results of operations or financial condition of the Company.

The unaudited pro forma consolidated financial statements and accompanying notes should be read in conjunction with the financial statements included in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and the Company's Annual Report on

Form 10-K for the year ended December 31, 2013.

Unaudited Pro Forma Combined Consolidated Balance Sheet
As of March 31, 2014

	Bank of the Ozarks, Inc. Historical	Summit Bancorp, Inc. Historical	Pro forma Adjustments (a)	Pro forma Combined
		(Dollars in thousands)		
Assets				
Cash and due from banks	$ 187,101	$ 70,383	$ (42,440) (b)	$ 211,242
			(3,802) (c)	
Federal funds sold and interest earning assets	1,250	55,829	(150) (d)	56,929
Cash and cash equivalents	188,351	126,212	(46,392)	268,171
Investment securities	687,661	254,416	(170) (d)	941,907
Loans and leases, including purchased non-covered loans	3,267,036	751,815	(32,086) (e)	3,986,765
Loans covered by FDIC loss share agreements	304,955	-	-	304,955
Allowance for loan and lease loses	(43,861)	(13,283)	13,283 (f)	(43,861)
Net loans	3,528,130	738,532	(18,803)	4,247,859
FDIC loss share receivable	57,782	-	-	57,782
Premises and equipment, net	254,973	13,939	(966) (g)	267,946
Foreclosed assets not covered by FDIC loss share agreements	17,076	3,168	(1,193) (e)	19,051
Foreclosed assets covered by FDIC loss share agreements	43,793	-	-	43,793
Accrued interest receivable	15,486	4,440	-	19,926
Bank owned life insurance	144,601	33,292	-	177,893
Goodwill	5,243	-	89,084 (h)	94,327
Other intangible assets, net	15,750	-	11,844 (i)	27,594
Other, net	70,047	9,424	8,776 (j)	88,247
Total assets	$ 5,028,893	$ 1,183,423	$ 42,180	$ 6,254,496
Liabilities and Stockholders' Equity				
Deposits:				
Demand non-interest bearing	$ 886,341	$ 152,590	$ -	1,038,931
Savings and interest bearing transaction	2,199,545	457,880	-	2,657,425
Time	830,318	375,976	5,100 (k)	1,211,394
Total deposits	3,916,204	986,446	5,100	4,907,750
Repurchase agreements	51,140	11,324	-	62,464
Other borrowings	280,885	42,563	3,200 (l)	326,648
Subordinated debentures	64,950	-	-	64,950
FDIC clawback payable	26,202	-	-	26,202
Accrued interest payable and other liabilities	32,842	2,711	4,501 (m)	40,054
Total liabilities	4,372,223	1,043,044	12,801	5,428,068
Stockholders' equity:				
Common stock	369	62	(62) (n)	398
			29 (b)	
Additional paid-in capital	147,584	60,260	(60,260) (n)	317,313
			169,729 (b)	
Retained earnings	502,044	79,183	(79,183) (n)	502,044
Accumulated other comprehensive income	3,211	905	(905) (n)	3,211
Treasury stock	-	(31)	31 (n)	-
Total stockholders' equity before noncontrolling interest	653,208	140,379	29,379	822,966
Noncontrolling interest	3,462	-	-	3,462
Total stockholders' equity	656,670	140,379	29,379	826,428
Total liabilities and stockholders' equity	$ 5,028,893	$ 1,183,423	$ 42,180	$ 6,254,496

Unaudited Pro Forma Combined Consolidated Income Statement
For the Three Months Ended March 31, 2014

	Bank of the Ozarks, Inc. Historical	Summit Bancorp, Inc. Historical	Unaudited Pro forma Adjustments (a)	Pro forma Combined
	(Dollars in thousands, except per share data)			
Interest income:				
Loans and leases, including purchased non-covered loans	$ 40,892	$ 8,843	$ 1,459 (o)	$ 51,194
Covered loans	9,405	-	-	9,405
Investment securities:				
Taxable	2,360	478	-	2,838
Tax-exempt	4,397	1,257	-	5,654
Other	3	176	-	179
Total interest income	57,057	10,754	1,459	69,270
Interest expense:				
Deposits	1,581	1,248	(400) (p)	2,429
Repurchase agreements	12	7	-	19
Other borrowings	2,655	399	(250) (q)	2,804
Subordinated debentures	413	-	-	413
Total interest expense	4,661	1,654	(650)	5,665
Net interest income	52,396	9,100	2,109	63,605
Provision for loan and lease losses	1,304	-	-	1,304
Net interest income after provision	51,092	9,100	2,109	62,301
Non-interest income				
Service charges on deposit accounts	5,639	1,231	-	6,870
Mortgage lending income	954	111	-	1,065
Trust income	1,316	53	-	1,369
Bank owned life insurance income	1,130	226	-	1,356
Accretion of FDIC loss share payable, net of amortization of FDIC clawback payable	692	-	-	692
Other income from loss share and purchased non-covered loans	3,311	-	-	3,311
Net gains on investment securities	5	-	-	5
Gains on sales of other assets	974	-	-	974
Gain on merger and acquisition transaction	4,667	-	-	4,667
Other	1,672	172	-	1,844
Total non-interest income	20,360	1,793	-	22,153
Non-interest expense:				
Salaries and employee benefits	17,689	4,593	-	22,282
Net occupancy and equipment	5,044	1,202	(50) (r)	6,196
Other operating expenses	14,721	1,355	592 (s)	16,668
Total non-interest expenses	37,454	7,150	542	45,146
Income before taxes	33,998	3,743	1,567	39,308
Provision for income taxes	8,730	717	605 (t)	10,052
Net income	25,268	3,026	962	29,256
Net income attributable to noncontrolling interest	8	-	-	8
Net income available to common stockholders	$ 25,276	$ 3,026	$ 962	$ 29,264
Basic earnings per common share:				
Earnings per share	$ 0.68	$ 0.49		$ 0.74
Weighted average shares outstanding (thousands)	36,901	6,138		39,784
Diluted earnings per common share:				
Earnings per share	$ 0.68	$ 0.49		$ 0.73
Weighted average shares outstanding (thousands)	37,247	6,204		40,130

Notes to Unaudited Pro Forma Combined Consolidated Financial Information
As of and for the Three Months Ended March 31, 2014

(a) The unaudited pro forma combined consolidated financial statements as of and for the three months ended March 31, 2014 combine the historical consolidated financial statements of the Company and Summit Bancorp, Inc. ("Summit"). The unaudited pro forma combined consolidated financial statements give effect to the Summit merger as if it had occurred on March 31, 2014 with respect to the unaudited pro forma combined consolidated balance sheet and on January 1, 2013 with respect to the unaudited pro forma combined consolidated income statement.

(b) This represents the estimated Summit merger consideration of $216.0 million, less the $3,802,420 payment made to the existing holders of options and SARs to terminate those agreements, consisting of 80% common stock of the Company and 20% cash. It is estimated that 2,883,119 shares of the Company's $0.01 par value common stock are issued based on the average closing price for the ten consecutive trading days ending on the fifth business day preceding the closing of the merger of $58.88 per share.

(c) This adjustment represents the aggregate payment made by Summit to holders of outstanding options and SARs in connection with the termination of Summit's equity plan prior to closing.

(d) This adjustment represents the Company's estimate to record interest earning deposits to reflect a current market interest rate. This adjustment also represents the Company's estimate to record Summit's held-to-maturity investment securities portfolio to mark that portfolio to estimated fair value.

(e) This adjustment represents the Company's estimate of the necessary write-down of Summit's loan portfolio and foreclosed assets to estimated fair value. The estimated purchase accounting adjustment for the acquired loan portfolio is comprised of approximately $5.7 million of non-accretable credit adjustments and approximately $26.4 million of accretable interest rate adjustments. The estimated purchase accounting adjustment of approximately $1.2 million for the acquired foreclosed assets consists entirely of non-accretable adjustments. The weighted average maturity of these acquired loan portfolio is approximately 3.6 years.

(f) This adjustment represents the elimination of Summit's allowance for loan losses.

(g) This adjustment represents the estimated fair value adjustments of Summit's premises and equipment, including the estimated write-down of certain leasehold improvements.

(h) This adjustment represents the estimated purchase price allocation for Summit, assuming the transaction closed on March 31, 2014, and is calculated as follows (in thousands):

Total purchase price	$	216,000
Less: equity at book value		(140,379)
Elimination of allowance for loan losses		(13,283)
Current and deferred taxes and other assets		(8,776)
Estimated transaction costs and contract buyouts		4,501
Allocated to:		
Investment securities and interest earning deposits		320
Loans and foreclosed assets		33,279
Core deposit intangible		(11,844)
Premises and equipment		966
Time deposits		5,100
Other borrowings		3,200
Goodwill	$	89,084

(i) This adjustment represents the Company's estimate of the core deposit intangible asset to be recorded based on an independent third party appraisal.

(j) This adjustment includes $8.8 million of current and deferred income tax assets and liabilities recorded to reflect the differences in the carrying values of the acquired assets and assumed liabilities for financial reporting purposes and the cost basis for federal income tax purposes.

(k) This adjustment represents the estimated write-up of assumed time deposits to reflect a current market rate of interest.

(l) This adjustment represents the estimated write-up of assumed other borrowings to reflect a current market rate of interest.

(m) This adjustment represents the accrual of certain costs and contract buyouts incurred in connection with the merger transaction. The details of such costs and contract buyouts are as follows (in thousands):

Financial advisor fee	$	2,320
Estimated contract termination costs		1,635
Estimated attorneys and accountants fees		400
Non-compete agreement		81
Other transaction costs		65
Total costs	$	4,501

(n) This adjustment represents the elimination of the historical equity of Summit.

(o) Upon the completion of the merger transaction, the Company will evaluate the acquired loan portfolio to finalize the necessary credit and interest rate fair value adjustments. Subsequently, the interest rate portion of the fair value adjustments will be accreted into earnings as an adjustment to the yield of such acquired loans. This adjustment represents the Company’s best estimate of the expected accretion that would have been recorded in Q1 of 2014 assuming the Summit merger closed on January 1, 2013. The estimated accretion adjustments are approximately $8.2 million in year 1, approximately $5.8 million in year 2, approximately $4.6 million in year 3, approximately $3.4 million in year 4, approximately $1.6 million in year 5 and approximately $2.8 million thereafter.

(p) Upon the completion of the merger transaction, the Company will evaluate the assumed time deposits to finalize the necessary fair value adjustment to reflect current interest rates for comparable deposits. This fair value adjustment will then be accreted into earnings as a reduction of the cost of such time deposits. This adjustment represents the Company’s best estimate of the expected accretion that would have been recorded in Q1 of 2014 assuming the Summit merger transaction closed on January 1, 2013 and using a weighted-average maturity of approximately 1.4 years. The estimated accretion adjustments are approximately $2.6 million in year 1, approximately $1.6 million in year 2, approximately $0.7 million in year 3 and approximately $0.2 million in year 4.

(q) This adjustment represents the estimated amount of accretion on approximately $42.3 million of Federal Home Loan Bank of Dallas (“FHLB - Dallas”) advances that would have been recorded as a reduction of interest expense in Q1 of 2014 assuming the Summit transaction closed on January 1, 2013. This accretion is based on the estimated prepayment penalty and fees of approximately $3.2 million obtained from the FHLB - Dallas and a weighted-average maturity of approximately 2.7 years. The estimated accretion adjustments are approximately $1.1 million in year 1, approximately $1.0 in million year 2, approximately $0.8 million in year 3 and approximately $0.3 million in year 4.

(r) This adjustment represents the decrease in depreciation and amortization expense associated with the fair value adjustments during Q1 of 2014 assuming the Summit merger transaction closed on January 1, 2013. The estimated remaining useful lives of the acquired premises and equipment range from 3 to 40 years.

(s) This represents the expected amortization during Q1 of 2014 of the core deposit intangible expected to be acquired in the Summit merger, assuming the transaction closed on January 1, 2013. The estimated useful lives of the acquired intangible asset is estimated to be five years.

(t) This represents income tax expense on the pro forma adjustments at the Company’s statutory federal and state income tax rate of 38.6%.

(Back To Top)