Risk Factors Comparison 2024-03-20 to 2023-03-16 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Relating to our Business and Industry ~~The ongoing COVID- 19 pandemic and resulting adverse economic conditions have adversely impacted, and could continue to adversely impact, our business and results of operations. Our business is dependent on the willingness and ability of our customers to conduct banking and other financial transactions. The ongoing COVID- 19 pandemic has caused significant disruption in the United States and international economies and financial markets. Given the ongoing and dynamic nature of the circumstances and uncertainty regarding the duration of the pandemic, it is difficult to predict the full, continuing impact of the pandemic on our business. We could, however, be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations: ● demand for our products and services may decline, making it difficult to sustain and grow asset and income levels ; ● if the economy worsens, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income ; ● collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase ; ● our allowance for loan losses may have to be increased due to a deterioration in the credit quality of borrowers or the inability of borrowers or guarantors to satisfy their obligations to us (and any related forbearances or restructurings that may be implemented), which will adversely affect our net income ; ● higher operating costs, increased cybersecurity risks and potential loss of productivity due to employees working remotely, at least part of the time ; ● the value of securities in our investment portfolio may decline if, for example, the general economy deteriorates, inflation rates increase, credit ratings decline, the issuers' financial condition deteriorates or the liquidity for debt securities declines ; ● material decreases in net income or a net loss over several quarters could result in a decrease in the rate or discontinuation of our quarterly cash dividend ; ● we rely on third party vendors for certain services and the unavailability of a critical service due to the COVID- 19 outbreak could have an adverse effect on us ; and ● FDIC premiums may increase if the agency experiences additional resolution costs. Any one or a combination of the factors identified above could negatively impact our business, financial condition and results of operations and prospects.~~ The majority of our assets are loans, which are subject to credit risks and potential losses. The Bank, like other lenders, is subject to credit risk, which is the risk of losing principal or interest due to borrowers' failure to perform their obligations in accordance with the terms of their credit agreements. Underwriting and documentation controls cannot mitigate all credit risk. Accordingly, our results of operations will be directly affected by the volume and timing of loan losses, which for several reasons can vary from period to period. The risks of loan losses may be exacerbated by a downturn in the economy or the real estate market in our market areas or a rapid increase in interest rates, which could have a negative effect on collateral values and borrowers' ability to repay. To the extent borrowers do not timely pay our loans, the loans are placed on non- accrual status, thereby reducing interest income. Further, under these circumstances, we may be required to make an additional provision for loan and lease losses or unfunded commitments, which could reduce our income and capital. See Management' s Discussion and Analysis of Financial Condition and Results of Operations – " Analysis of Asset Quality and Allowance for ~~Loan~~ **Credit** Losses ". A deterioration of national or local economic conditions could reduce our profitability. Our lending operations and customers are primarily located in the eastern region of Northern California and Northern Nevada. As a result, a significant majority of the loans in our loan portfolios as of December 31, ~~2022~~ **2023 ,** were secured by properties and collateral located within these regions. As of such date, approximately ~~90~~ **92** % of the loans in our loan portfolio were made to borrowers who primarily conduct business or live in Northern California or Northern Nevada. This geographic concentration imposes risks from lack of geographic diversification, as adverse economic developments in Northern California or Northern Nevada, among other things, could affect the volume of loan originations, increase the level of nonperforming assets, increase the rate of foreclosure losses on loans and reduce the value of our loans and the underlying collateral. Any regional or local economic downturn affecting Northern California or Northern Nevada or existing or prospective borrowers or property values in such areas may affect us and our profitability more significantly and more adversely than depository organizations whose operations are less geographically concentrated. A significant downturn in the national economy or the local economy due to the real estate market, public policy decisions, agricultural commodity prices, natural disaster, fires, drought or other factors could result in a decline in the local economy in general, which could in turn negatively impact our business, financial condition, results of operations and prospects. If our allowance for ~~loan~~ **credit** losses is not sufficient to absorb actual loan losses, our profitability could be reduced. The risk of loan losses is inherent in the lending business. We maintain an allowance for ~~loan~~ **credit** losses based upon our actual losses over a relevant time period and management' s assessment of all relevant qualitative factors that may cause future loss experience to differ from our historical loss experience. Although we maintain a rigorous process for determining the allowance for ~~loan~~ **credit** losses, we cannot be certain that it will be sufficient to cover future loan losses. If our allowance for ~~loan~~ **credit** losses is not adequate to absorb future losses, or if bank regulatory agencies require us to increase our allowance for ~~loan~~ **credit** losses, our earnings could be significantly and adversely impacted. A deterioration in the real estate market could have a material adverse effect on our business, financial condition and results of operations. As of December 31, ~~2022~~ **2023** , approximately 77 % of our total loan portfolio is secured by real estate, the majority of which is commercial real estate. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in our markets could increase the credit risk associated with our loan portfolio ~~,~~ and could result in losses that would adversely affect credit quality, financial condition, and results of operation. Negative changes in the economy affecting real estate values and liquidity in our market areas could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Declines in real estate market values or increases in commercial and consumer delinquency levels could require increased net charge- offs which could adversely affect our financial condition, results of operations and cash flows **. Inflationary pressures and rising prices may affect our results of operations and financial condition. Inflation began to rise sharply at the end of 2021 and has remained at an elevated level through 2023. Small to medium- sized businesses may be impacted more during periods of high inflation as they are not able to leverage economics of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to the Company to increase, which could adversely affect our results of operations and financial condition** . Changes in interest rates could reduce our business and profitability. Although we maintain a rigorous process for managing the impact of possible interest rate fluctuations on earnings, there is a risk that despite our efforts, our earnings could be significantly and adversely impacted by changes in interest rates. Our earnings depend largely upon net interest income, which is the difference between the total interest income earned on interest earning assets (primarily loans and investment securities) and the total interest expense incurred on interest bearing liabilities (primarily deposits and borrowed funds). The rate of interest that we earn on assets and pay on liabilities is affected principally by direct competition, and general economic conditions at the state and national level and other factors beyond our control such as actions of the FRB, the general supply of money in the economy, legislative tax policies, governmental budgetary matters, and other state and federal economic policies. In a period of rising interest rates, the interest income we earn on our assets may not increase as rapidly as the interest expense we incur on our liabilities. Likewise, in a period of falling interest rates, the interest expense we incur on our liabilities may not decrease as rapidly as the interest income we earn on our assets. Historically, our liabilities have shorter contractual maturities than our assets. This creates a potential imbalance as interest rates change over time, which can create significant earnings volatility ~~. In addition, in a prolonged low interest rate environment, the difference between the total interest income earned on interest earning assets and the total interest expense incurred on interest bearing liabilities may compress, reducing our net interest income and adversely affecting our operating results. If short- term interest rates remain at their historically low levels for a prolonged period, and assuming longer term interest rates fall further, we could experience net interest margin compression as our interest earning assets would continue to re- price downward while our interest- bearing liability rates could fail to decline in tandem~~ . Such an occurrence would have a material adverse effect on our net interest income and our results of operations. Interest rate increases often result in larger payment requirements for our borrowers, increasing the potential for default. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. Changes in interest rates can also affect the average life of our loans. A reduction in interest rates causes increased prepayments of loans as borrowers tend to refinance their debt to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest the funds from faster prepayments at rates that are comparable to the rates earned on the prepaid loans. **Changes** ~~We could be required to raise additional capital~~ in **interest rates also affect** the ~~future~~ **value of our interest- earning assets** , ~~but that capital~~ **particularly our investment securities portfolio. Generally, the value of fixed- rate securities fluctuates inversely with changes in interest rates, so the market value of our investment securities** may ~~not be~~ **fall as interest rates rise. Unrealized gains and losses on securities** available ~~when it~~ **for sale are reported as a separate component of equity, net of tax. Stockholders' equity, specifically accumulated other comprehensive income (loss) (“ AOCI ”),** is **increased** ~~needed or may not be available on terms that are favorable to us or our~~ - **or decreased by** existing shareholders. As a depository organization...... distribution or rationing of water. If the amount of water available to agriculture becomes scarcer due...... Loss (CECL) model will significantly change **in** ~~how we recognize credit losses, could require that we increase our allowance for loan losses and may materially impact our results of operations, financial condition or liquidity. Beginning January 1, 2023, we are subject to new accounting standard ASU No. 2016- 13, Measurement of Credit Losses on Financial Instruments. The new standard significantly changes how entities measure credit losses for most financial assets and certain other~~ -- **the estimated** ~~instruments that aren' t measured at~~ fair value ~~through~~ **of our securities available for sale,** net **of deferred** income **taxes** . **Decreases in** ~~The new standard replaces~~ the **fair value** ~~earlier “ incurred loss ” approach with an “ expected loss ” model. The new model, referred to as the current expected credit loss (“ CECL ”) model, applies to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off~~ - **of** ~~- balance sheet credit exposures. This includes, but is not limited to, loans, leases, held- to- maturity~~ securities ~~, loan commitments, and financial guarantees. The CECL model does not apply to~~ available ~~-~~ for ~~-~~ sale **resulting** ~~(“ AFS ”) debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The ASU also simplifies the accounting model for purchased credit- impaired debt securities and loans. ASU No. 2016- 13 also expands the disclosure requirements regarding an entity' s assumptions, models, and methods for estimating the allowance for loan and lease losses. Entities will apply the standard' s provisions as a cumulative- effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i. e., modified retrospective approach). To implement the CECL model, we established an implementation team chaired by our Chief Lending Officer and composed of members of our credit administration and accounting departments, invested in technology to support the CECL calculation of the allowance for loan losses and engaged a consultant to review our CECL model and to assist us in documenting aspects of the CECL model. Based on the loan portfolio composition, characteristics and quality of the loan portfolio as of December 31, 2022, and the current economic environment, management estimates that the total allowance for loan losses will increase by between $ 500, 000 and $ 800, 000. The estimated decline in equity, net of tax, will range~~ from ~~$ 350, 000 to $ 550, 000. The economic conditions, forecasts and assumptions used in the model could be significantly different in future periods. The impact~~

~~of the change in the allowance on our results of operations in a provision for credit losses will depend on the current period net charge- offs, level of loan originations, and change in mix of the loan portfolio. The ranges noted above exclude any impact to the Company' s reserve for unfunded commitments, which is expected to increase~~ **increases** ~~by between $ 250, 000 and $ 350, 000. The estimated decline~~ in **interest rates** equity, net of tax, will......, negatively impact our reputation, and could have an adverse effect on **shareholders' equity. A lack of liquidity could adversely affect our operations and jeopardize** our business, ~~results of operations and~~ financial condition **and results of operations. Liquidity is essential to our business** . We **rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, securities sales, Federal Reserve Bank advances, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our most important source of funding consists of deposits. Deposit balances** may **decrease if customers seek higher investment returns** ~~also incur substantial increases in costs in an effort to minimize~~ or ~~mitigate cyber security~~ **choose to move deposits to other banks or investments that are perceived as having lower** risks ~~and to respond to cyber incidents~~ . **If customers move money out** ~~The potential for operational risk exposure exists throughout our business. Integral to our performance is the continued efficacy~~ of ~~our technology~~ **bank deposits** and **into** information systems, operational infrastructure and relationships...... third parties who may encounter technological or other **investments** ~~difficulties that could in turn significantly limit or affect our ability to process and account for customer transactions. These vendors provide services that support our operations~~ , ~~including the~~ **then** ~~storage and processing of sensitive consumer and business customer data, as well as our sales efforts. A cyber security breach of a vendor' s system may result in theft of our data or disruption of business processes. In most cases,~~ we would ~~be~~ **lose a relatively low- cost source of funds, increasing our funding costs and reducing our net interest income and net income. Other** ~~primarily~~ -- **primary** ~~liable to our customers for losses arising~~ **sources of funds consist of cash flows** from ~~a breach~~ **operations, investment maturities and sales, loan repayments, and proceeds from the issuance and sale** of **any equity and debt** ~~a vendor' s data security~~ **securities** ~~system~~ **to investors. Additional liquidity is provided by the ability to borrow from the Federal Reserve Bank of San Francisco and the Federal Home Loan Bank and our ability to raise brokered deposits** . We also ~~rely~~ **may borrow funds from third- party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or** on **terms that are acceptable to us, could be impaired by factors that affect us directly** ~~our~~ - **or** ~~outsourced service providers to implement and maintain prudent cyber security controls. The loss of these~~ -- **the** ~~vendor relationships could disrupt the~~ **bank or non- bank financial** services **industries or the economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the bank or non- bank financial services industries. Based on experience,** we ~~provide~~ **believe that our deposit accounts are relatively stable sources of funds. If we increase interest rates paid** to ~~customers~~ **retain deposits, our earnings may be adversely affected, which could have** ~~and~~ - **an adverse effect** ~~cause us to incur significant expense in connection with replacing these services. The Company depends primarily~~ on ~~the~~ **our business, financial condition and results of** operations ~~of the Bank to pay dividends, repurchase shares, repay its indebtedness and fund its operations~~ . **Significant declines** ~~The Bank' s ability to pay dividends to the Company depends on the success of the Bank' s operations. The Company is a separate and distinct legal entity from its subsidiary, the Bank, and it receives substantially all of its revenue from dividends paid by the Bank. There are legal limitations on the extent to which the Bank may extend credit, pay dividends or otherwise supply funds to, or engage~~ in **available funding** ~~transactions with, the Company. The Company' s inability to receive dividends from the Bank~~ could adversely affect ~~its~~ **our ability to originate loans, invest in securities, pay our expenses, distribute dividends to our shareholders, and fulfill our debt obligations or deposit withdrawal demands. In addition, a lack of liquidity could result in the sale of securities in an unrealized loss position. All of these factors could have a material adverse impact on our liquidity,** business, financial condition ~~,~~ **and** results of operations ~~and prospects. Even if applicable laws and regulations would permit the Bank to pay dividends to the Company and would permit the Company to pay dividends to our shareholders, our Board of Directors could determine that it is not in the best interest of the Company' s shareholders to do so in order to preserve or redeploy our capital resources, for example. For these reasons, the amount and frequency of dividends that we pay to shareholders may vary from time to time~~ . A reduction in the value, or impairment of our investment securities, can impact our earnings and common shareholders ~~'~~ **'** equity. Generally Accepted Accounting Principles (" GAAP ") requires that we carry our available- for- sale investment securities at fair value on our balance sheet. Unrealized gains or losses on these securities, reflecting the difference between the fair market value and the amortized cost, net of its tax effect, are reported as a component of shareholders' equity. In certain instances, GAAP requires recognition through earnings of declines in the fair value of securities that are deemed to be other than temporarily impaired. Changes in the fair value of these securities may result from a number of circumstances that are beyond our control, such as changes in interest rates, the financial condition of municipalities, government sponsored enterprises or insurers of municipal bonds, changes in demand for these securities as a result of economic conditions, or reduced market liquidity. If our investment securities decline in market value and ~~other than temporary~~ impairments of these assets results, we ~~would~~ **could** be required to recognize a loss which could have a material adverse effect on our net income and capital levels information systems,operational infrastructure and relationships with third parties and colleagues in day- to- day and ongoing operations.A failure by any or all of these resources subjects us to risks that may vary in size,scale and scope.This includes,but is not limited to,operational or systems failures,disruption of client operations and activities,ineffectiveness or exposure due to interruption in third party support as well as the loss of key colleagues or failure on the part of key colleagues to perform properly.We face risks relating to our reliance on third party vendors.We outsource a large portion of our data processing to third parties who may encounter technological or . Damage to our reputation could significantly harm our business and prospects. Our reputation is an important asset. Our relationship with many of our customers is predicated upon our reputation as a high- quality provider of financial services that adheres to the highest standards of ethics, service quality and regulatory compliance. Our ability to attract and retain customers, investors and employees depends upon external perceptions. Damage to our reputation among existing and potential customers, investors and employees could cause significant harm to our business and prospects and may arise from numerous sources, including litigation or regulatory actions, failing to deliver minimum standards of service and quality, lending practices, inadequate protection of customer information, sales and marketing efforts, compliance failures **, cybersecurity breaches** , unethical behavior and the misconduct of employees. Adverse developments in the banking industry may also, by association, negatively impact our reputation or result in greater regulatory or legislative scrutiny or litigation against us. We have policies and procedures in place intended to protect our reputation and promote ethical conduct, but these policies and procedures may not be fully effective. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors, and employees, costly litigation, a decline in revenues and increased governmental regulation. We are exposed to risk of environmental liabilities with respect to real properties that we may acquire. If our borrowers are unable to meet their loan repayment obligations, we will initiate foreclosure proceedings with respect to and may take actions to acquire title to the personal and real property that collateralized their loans. As an owner of such properties, we could become subject to environmental liabilities and incur substantial costs for any property damage, personal injury, investigation and clean- up that may be required due to any environmental contamination that may be found to exist at any of those properties, even though we did not engage in the activities that led to such contamination. In addition, if we were the owner or former owner of a contaminated site, we could be subject to common law claims by third parties seeking damages for environmental contamination emanating from the site. If we were to become subject to significant environmental liabilities or costs, our business, financial condition, results of operations and prospects could be adversely affected. Risks Related to Regulation of the Company and the Bank We are subject to extensive regulation and may face regulatory enforcement actions, incur fines, penalties and other negative consequences from regulatory violations. Our operations are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on our operations. Over time, our business has been increasingly affected by the growing breadth of these regulations, and this trend is likely to continue. Federal and state banking regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws or regulations by bank holding companies and banks in the performance of their supervisory and enforcement duties. If banking regulators determine that we have violated laws or engaged in unsafe or unsound practices, we could face enforcement actions, incur fines, penalties, and other negative consequences. While we maintain systems and procedures designed to ensure that we comply with applicable laws and regulations, we cannot be certain that these will be effective. We may also suffer other negative consequences resulting from findings of noncompliance with laws and regulations which may also damage our reputation, and this in turn might materially affect our business and results of operations. Further, some legal / regulatory frameworks provide for the imposition of fines, restitution, or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there were in place at the time systems and procedures designed to ensure compliance. ~~Our participation~~ **Regulatory policies regarding loans secured by commercial real estate could limit our ability to leverage our capital and adversely affect our growth and profitability. The federal banking agencies have issued guidance regarding concentrations** in **commercial real estate (" CRE ") lending for banks that are deemed to have particularly high concentrations of CRE loans within** ~~the~~ **their** ~~SBA PPP~~ **lending portfolios. Under this guidance, a bank that has (i) total reported loans for construction, land development, and other land which represent 100 % or more of the bank' s total risk- based capital; or (ii) total CRE representing 300 % or more of the bank' s total risk- based capital, where the outstanding balance of the bank' s CRE** loan ~~program exposes us to~~ **portfolio has increased 50 % or more during the prior 36 months, is identified as having potential CRE concentration** ~~risks~~ **risk** ~~related to noncompliance~~ **. While the agencies' guidance does not limit the levels of a bank' s CRE lending, banks** with ~~the PPP~~ **higher levels of CRE loans are generally expected to implement enhanced underwriting, internal controls, risk management policies and portfolio stress testing** , as well as ~~litigation~~ **higher levels of allowances for credit losses and capital levels as a result of CRE lending growth and exposures. As of December 31, 2023, our CRE loans for purposes of this guidance represented 242 % of our total** risk ~~related to~~ **- based capital. As of December 31, 2023, total loans secured by CRE under construction and land development represented 54 % of** our **total risk- based capital. As a result, the FRB, which is the Bank' s federal banking regulator, could view the Bank as having a high concentration of CRE loans under this guidance. Although we actively work to manage our CRE concentration and believe that our underwriting policies, management information systems, independent credit** administration **process, and monitoring** of ~~the PPP~~ **real estate** loan ~~program~~ **concentrations are appropriate to address our CRE concentration** , ~~which~~ **we face heightened regulatory scrutiny as a result of our CRE loan concentrations. Federal regulators could become concerned about our CRE loan concentrations, and we could be required to reduce our levels of CRE lending, increase our capital, allocate greater resources to the management of CRE risks, or any combination of these actions. The FRB could limit our ability to grow by, among other things, restricting their approvals for the establishment or acquisition of branches, or approvals of mergers or other acquisition opportunities. Further, we cannot guarantee that any risk management practices we implement will be effective to prevent losses relating to our CRE portfolio. Any of these risks** could have **an** ~~a material~~ adverse ~~impact~~ **effect** on our business, **consolidated** financial condition and **consolidated** results of operations ~~. We are a participating lender in the PPP, a loan program administered through the SBA which was created to help eligible businesses, organizations and self-employed persons fund their operational costs during the COVID- 19 pandemic. We funded 2, 256 PPP loans in the aggregate principal amount of $ 197 million and BFR funded 562 PPP loans in the aggregate principal amount of $ 60 million through December 31, 2022. Under the PPP, the SBA guarantees 100 % of the amounts loaned under the PPP. There is some ambiguity in the laws, rules and guidance regarding the operation of the PPP, which exposes us to risks relating to noncompliance with the PPP. In addition, a few other financial institutions have experienced litigation related to their process and procedures used in~~

~~processing applications for the PPP. Any financial liability, regulatory enforcement, litigation costs or reputational damage stemming from our participation in the PPP and any related litigation could have a material adverse impact on our business, financial condition and results of operations. In addition, we may be exposed to credit risk on PPP loans if the SBA determines that there is a deficiency in the manner we originated, funded or serviced a PPP loan. If the SBA identifies a deficiency, the SBA may deny its liability under the guaranty for the affected loan or loans, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency~~ . General Risk Factors The trading price of our common stock may be volatile or may decline. The trading price of our common stock may fluctuate as a result of a number of factors, many of which are outside our control. Among the factors that could affect the trading price of our common stock are: • actual or anticipated quarterly fluctuations in our operating results and financial condition; • research reports and recommendations by financial analysts; • failure to meet analysts’ revenue or earnings estimates; • speculation in the press or investment community; • our actions or those of our competitors, such as acquisitions or restructurings; • actions by institutional shareholders; • fluctuations in the stock prices and operating results of other financial institutions; • general market conditions and, in particular, developments related to market conditions for the financial services industry; • proposed or adopted regulatory changes or developments; • anticipated or pending investigations, proceedings or litigation that involve or affect us; • domestic and international economic factors unrelated to our performance. A significant decline in the trading price of our common stock price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation. The trading volume of our common stock is limited. Although our common stock is traded on the Nasdaq Stock Market, trading volume to date has been relatively modest. The limited trading market for our common stock may lead to exaggerated fluctuations in market prices and possible market inefficiencies compared to more actively traded securities. It may also make it more difficult for investors to sell our common stock at desired prices, especially for holders seeking to dispose of a large number of shares of stock. Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud. We have designed and implemented controls and procedures to provide reasonable assurance that the information we are required to disclose in the reports that we file with the SEC under the Exchange Act is accurately accumulated and communicated to our management, and recorded, processed, summarized, and reported within the time periods specified in the SEC’ s rules and forms. However, no disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide absolute assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision- making can be faulty, that alternative reasoned judgments can be drawn, or that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control systems, misstatements due to error or fraud may occur and not be detected, which could result in a material weakness in our internal controls over financial reporting and the correction or restatement of previously disclosed financial statements or information. We rely on key executives and personnel and the loss of any of them could have a material adverse impact on our prospects. Competition for qualified employees and personnel in the banking industry is intense and there are a limited number of qualified persons with knowledge of, and experience in, the California and Nevada community banking industry. The process of recruiting personnel with the combination of skills and attributes required to carry out the Company’ s strategies is often lengthy. Our success depends to a significant degree upon our ability to attract and retain qualified management, loan origination, finance, administrative, marketing, compliance, and technical personnel and upon the continued contributions of our management and personnel. In particular, our success has been and continues to be highly dependent upon the abilities and relationships of key executives and certain other employees. Climate change may materially adversely affect the Company ~~'~~’ s business and results of operations. Concerns over the long- term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our clients will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our clients may face cost increases, asset value reductions and operating process changes. The impact on our clients will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain industry sectors. In addition, we could face reductions in creditworthiness on the part of some clients or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate- friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.