

# **GATEWAY BANK, F.S.B.**

**360 8<sup>th</sup> Street  
Oakland, California 94607  
(510) 667-0475**

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## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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**TO BE HELD  
November 17, 2023  
10:30 A.M. PDT**

### **VIRTUAL MEETING LINK BELOW:**

<https://us06web.zoom.us/j/87887272074?pwd=I9wb24Yix5haaaiiy0NGBTAcHZlI1.1>

**Password: 082693**

TO THE SHAREHOLDERS OF GATEWAY BANK, F.S.B.:

NOTICE IS HEREBY GIVEN that, pursuant to the Bylaws of Gateway Bank, F.S.B. (the “Bank”) and the call of its Board of Directors, the Annual Meeting of Shareholders of the Bank (the “Annual Meeting”) will be held exclusively online through a live webcast on November 17, 2023, at 10:30 a.m. (PDT) for the following purposes, as set forth in more detail in the accompanying Proxy Statement:

- (1) To elect ten (10) Directors to serve until the 2024 Annual Meeting of Shareholders, and until their successors are elected and qualified.
- (2) To consider and vote upon a proposal to amend the Bank’s Second Amended and Restated Federal Stock Savings Bank Charter (“Charter”) to increase the number of authorized shares of common stock available for issuance.
- (3) To ratify an increase in the number of authorized shares of common stock reserved for issuance under the Bank’s 2020 Long-Term Stock Incentive Plan (“Stock Incentive Plan”).
- (4) To approve the offer, sale and issuance of common stock to officers, directors and/or controlling persons of the Bank, in accordance with the Bank’s Charter.
- (5) To ratify the appointment of Eide Bailly LLP as the Bank’s public accounting firm for the fiscal year ending December 31, 2023.
- (6) To transact such other business as may properly come before the Annual Meeting and any adjournment, postponement or continuation thereof.

You may attend the Annual Meeting online by using the Virtual Meeting Link:  
<https://us06web.zoom.us/j/87887272074?pwd=I9wb24Yix5haaaiiy0NGBTAcHZlI1.1> -  
Password: 082693.

Shareholders of record at the close of business on October 19, 2023, will be entitled to vote at the Annual Meeting on the basis of one vote for each share held.

A detailed discussion of the proposals is included in the attached Proxy Statement. We urge you to read the entire Proxy Statement, including the proposed amendment to the Bank's Charter, carefully.

**YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. Whether or not you plan to attend the Annual Meeting virtually, please complete, sign, date and return the enclosed proxy card at your earliest convenience. You may also submit a proxy via the Internet by following the instructions in the enclosed proxy card. The proxy may be revoked at any time prior to its exercise.**

Section 1.4 of the Bank's Bylaws provide for the nomination of directors in the following manner:

*"Nominations, other than those made by or on behalf of the existing management of the savings bank, shall be in writing and shall be delivered or mailed to the president of the savings bank not less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of directors, provided that, if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the president of the savings bank no later than close of business on the 7th day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder:*

- 1. The name and address of each proposed nominee.*
- 2. The principal occupation of each proposed nominee.*
- 3. The total number of shares of capital stock of the savings bank balance that will be voted for each proposed nominee.*
- 4. The name and address of the notifying shareholder.*
- 5. The number of shares of capital stock of the savings bank owned by the notifying shareholder.*

*The chairperson of the meeting may, in his or her discretion, disregard nominations not made in accordance with the above, and upon his or her instructions, the vote tellers may disregard all votes cast for each such nominee."*

## **Annual Reports**

Gateway Bank's Annual Report to Shareholders for the fiscal year ended December 31, 2022, is enclosed. The Annual Report contains financial and other information about the activities of the Bank, but does not constitute a part of the proxy soliciting materials. To obtain additional copies of the Annual Report or the Proxy Statement, you can send your written request to Hope W. Lundt, Interim President and Chief Executive Officer, Gateway Bank, F.S.B., 360 8<sup>th</sup> Street, Oakland, California 94607 or call Katelyn Duer at 510-496-8681.

BY ORDER OF THE BOARD OF DIRECTORS

Hope W. Lundt  
Interim President and Chief Executive Officer

Oakland, California  
October 23, 2023

# **GATEWAY BANK, F.S.B.**

360 8<sup>th</sup> Street  
Oakland, California 94607  
(510) 667-0475

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## **PROXY STATEMENT**

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### **INTRODUCTION**

This Proxy Statement is furnished in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders (the “Annual Meeting”) of Gateway Bank, F.S.B. (the “Bank”) to be held exclusively online through a live webcast on November 17, 2023, at 10:30 a.m. (PDT). It is anticipated that this Proxy Statement will be mailed to shareholders on or about October 23, 2023. You may attend the Annual Meeting online by using the Virtual Meeting Link:

<https://us06web.zoom.us/j/87887272074?pwd=I9wb24Yix5haaiiy0NGBTAcHZlIXI.1>

- Password: 082693. The matters to be considered and voted upon at the Annual Meeting will be:

### **Proposal 1 – Election of Directors**

To elect the following ten (10) persons to the Board of Directors of the Bank, each to hold office until the 2024 Annual Meeting of Shareholders of the Bank and until his or her respective successor is duly elected and qualified:

Tim Chrisman	Mark Lefanowicz
Louis Cosso	Hope Lundt
Greg Gersack	Collin Madden
Arnold Grisham	Alan Schick
James Keefe	Curt Stoller

### **Proposal 2: Charter Amendment**

To amend the Bank’s Second Amended and Restated Federal Stock Savings Bank Charter (“Charter”) to increase the number of authorized shares of common stock. The Bank’s Charter currently authorizes the issuance of up to 100,000,000 shares of our common stock. On September 28, 2023, the Board of Directors approved an amendment to the Charter to authorize an additional 200,000,000 shares of common stock, subject to shareholder approval. Upon approval by the shareholders, this proposal would amend the Bank’s Charter to provide for a total of 300,000,000 authorized shares of common stock.

### **Proposal 3: Amendment to Stock Incentive Plan**

To ratify an amendment to the Bank’s 2020 Long-Term Stock Incentive Plan (“Stock Incentive Plan”) to increase the number of authorized shares of common stock reserved for issuance under the plan from 12,000,000 to 27,000,000 shares.

#### **Proposal 4: Sale of Common Stock to Officers, Directors and/or Controlling Persons**

To approve the offer, sale and issuance of common stock to officers, directors and/or controlling persons of the Bank in connection with a private offering of up to \$15,000,000 in common stock to accredited investors at a purchase price of \$0.10 per share (“Proposed Offering”). Pursuant to the Bank’s Charter, the issuance and sale of capital stock to any officers, directors or controlling persons of the Bank in connection with an offering that is not part of a general public offering must be approved by a majority of the shares held by shareholders of the Bank.

#### **Proposal 5: Ratification of Bank’s Independent Public Accounting Firm**

To ratify the appointment of Eide Bailly LLP as the Bank’s independent public accounting firm for the fiscal year ending December 31, 2023.

### **VOTING INFORMATION**

#### **Revocability of Proxies**

Shareholders who execute proxies retain the right to revoke them at any time. Unless so revoked, the shares represented by such proxies will be voted at the Annual Meeting and all adjournments thereof. Proxies may be revoked by written notice to the Secretary of the Bank or the submission of a later proxy prior to a vote being taken on a particular proposal at the Annual Meeting. A written notice of revocation of a proxy should be sent to, Hope W. Lundt, Interim President and Chief Executive Officer, Gateway Bank, F.S.B., 360 8th Street, Oakland, California 94607, and will be effective if received by the Secretary prior to the Annual Meeting. A previously submitted proxy also will be revoked if a shareholder attends the Annual Meeting virtually and votes their shares electronically in accordance with the accompanying instructions. Proxies solicited by the Board of Directors of the Bank will be voted in accordance with the directions given therein. IF NO INSTRUCTION IS SPECIFIED WITH RESPECT TO A MATTER TO BE ACTED UPON, THE SHARES REPRESENTED BY THE PROXY WILL BE VOTED IN FAVOR OF THE PROPOSALS LISTED ON THE PROXY.

#### **Persons Making the Solicitation**

This solicitation of proxies is being made by the Board of Directors of the Bank. The expense of preparing, assembling, printing and mailing this Proxy Statement and the materials used in the solicitation of proxies for the Annual Meeting will be borne by the Bank. It is contemplated that proxies will be solicited principally through the use of the mail, but officers, directors and employees of the Bank may solicit proxies personally or by telephone, without receiving any additional compensation for such services. Although there is no formal agreement to do so, the Bank may reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding these Proxy Materials to shareholders whose stock in the Bank is held of record by such entities. In addition, the Bank may use the services of individuals or companies it does not regularly employ in connection with this solicitation of proxies, if management of the Bank determines it advisable.

### **Shares Registered in the Name of a Bank or Brokerage Firm**

If your shares of common stock are held by a bank, broker or other nominee in “street name,” you will receive voting instructions from the record holder. You must follow these instructions in order to have your shares voted by proxy. You may not vote shares held in “street name” by returning a proxy card or by voting by telephone or e-mail or via the Internet at the Annual Meeting, unless you provide a legal proxy, executed in your favor, from the record holder of your shares, such as your broker, bank or other nominee.

### **VOTING SECURITIES**

There were issued and outstanding 61,912,602 shares of the Bank’s common stock, \$0.10 value on October 19, 2023 (the “Record Date”), which has been fixed as the Record Date for the purpose of determining the shareholders entitled to notice of, and to vote at, the Annual Meeting. There must be at least 30,956,302 shares represented in person or by a valid proxy in order for us to have a quorum at the Annual Meeting.

Each holder of common stock will be entitled to one vote, in person or by proxy, for each share of common stock held of record on the books of the Bank as of the Record Date for the Annual Meeting on all proposals to be considered at the Annual Meeting.

### **SHAREHOLDINGS OF MANAGEMENT**

The following tables sets forth certain information as of the Record Date concerning the beneficial ownership of the Bank’s outstanding stock held by each of our directors and executive officers, and by all directors and executive officers as a group. As used throughout this Proxy Statement, the term “executive officer” means the President and Chief Executive Officer, the Chief Financial Officer and the Executive Vice President of the Bank. There are no other executive officers of the Bank as of the date of this Proxy Statement. The Bank’s other Vice Presidents are not deemed to be executive officers of the Bank.

Calculation of the percentage of class beneficially owned is based upon 61,912,602 shares of common stock, and 5,800 shares of 0% Convertible Preferred Stock, Series D (“Series D Preferred Stock”), with a liquidation value of \$1,000 per share, outstanding as of the Record Date. The shares of Series D Preferred Stock, which have no voting rights with respect to the proposals in this Proxy Statement, are convertible into shares of common stock of the Bank upon the occurrence of certain events set forth in a certificate of designation associated with the shares, which includes the Proposed Offering discussed in Proposal 2 and Proposal 4 below.

Shares of Common Stock Owned by Directors and Management				
Name	Title	Shares of Common Stock Beneficially Owned <sup>1</sup>	Percent of Class Beneficially Owned	Total Common Shares
				61,912,602
Timothy Chrisman	Chairman	100	0.00%	
Hope Lundt <sup>2</sup>	Interim President/CEO - Director	2,416,667	3.90%	
Jeff Vock	Executive Vice President/CCO	0	0.00%	
Giancarlo Lanciotti	Executive Vice President/CFO	0	0.00%	
James Keefe	Director	18,496,696	29.88%	
Collin Madden <sup>3</sup>	Director	396,820	0.64%	
Daniel Tachiera <sup>4</sup>	Director	3,000,000	4.85%	
Greg Gersack	Director	1,327,641	2.14%	
Alan Schick	Director	666,666	1.08%	
All Directors and Executive Officers as a Group (9 in total)		25,412,468	41.04%	

Shares of 0% Series D Convertible Preferred Stock Owned by Directors and Management				
Name	Title	Shares of Common Stock Beneficially Owned	Percent of Class Beneficially Owned	Total Common Shares
				5,800
Hope Lundt <sup>5</sup>	Interim President/CEO - Director	2,125	36.64%	
James Keefe	Director	2,375	40.95%	
All Directors and Executive Officers as a Group (2 in total)		4,500	77.59%	

## CONTROL OWNERSHIP

As of the Record Date, the persons or groups known to management who are the beneficial owners of more than 5 percent of any class of the Bank's voting securities are as follows. Calculation of the percentage of class beneficially owned is based upon 61,912,602 shares of common stock and holdings as of the Record Date.

Name	Shares of Common Stock Beneficially Owned	Percent of Class Beneficially Owned
Stephen Taylor	5,512,445	8.90%
James Keefe	18,496,696	29.88%
Daniel Harrington	5,822,352	9.40%

<sup>1</sup> A person is deemed to be the beneficial owner, for purposes of this table, of any shares of common stock if he or she has or shares voting or investment power with respect to such common stock or has a right to acquire beneficial ownership at any time within 60 days from the Record Date. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares. Except as otherwise noted, ownership is direct, and the named individuals exercise sole voting and investment power over the shares of the common stock (along with their spouse with respect to any jointly-held shares).

<sup>2</sup> Shares are owned by Spence Limited, L.P., of which Ms. Lundt is the managing partner.

<sup>3</sup> The total number of shares beneficially owned by Collin Madden includes 328,495 shares held by M Management, LLC, of which Mr. Madden is the sole member.

<sup>4</sup> The total number of shares beneficially owned by Daniel Tachiera includes 3,000,000 shares of common stock owned by JCSD Partners and JCSD Partners II, LP., of which Mr. Tachiera is the managing partner.

<sup>5</sup> Shares are owned by Spence Limited, L.P., of which Ms. Lundt is the managing partner.

## PROPOSAL 1 - ELECTION OF DIRECTORS

The Bylaws of the Bank provide that the number of directors shall not be less than five (5) nor more than fifteen (15) persons with the exact number currently fixed at seven (7). The Board of Directors is proposing to add four (4) new directors, subject to receipt of a non-objection for each director from the Office of the Comptroller of the Currency (“OCC”), which is required before any new directors can be appointed to the Board of Directors under the outstanding Consent Order between the Bank and the OCC, dated November 12, 2020. To the extent that the shareholders elect one or more of the four new director nominees at the Annual Meeting, and the Bank receives a written non-objection from the OCC for each director nominee, the Board of Directors will amend the Bylaws to fix the number of directors based on the final number of directors elected and appointed to the board.

The persons named below have been nominated by the Board of Directors to serve as directors until the 2024 Annual Meeting of Shareholders and until their successors are elected and qualified. The ten (10) persons to be elected to the Board of Directors are:

Tim Chrisman	Mark Lefanowicz
Louis Cosso	Hope Lundt
Greg Gersack	Collin Madden
Arnold Grisham	Curt Stoller
James Keefe	Alan Schick

The proposed new director nominees are Messrs. Cosso, Grisham, Lefanowicz, and Stoller, and the remaining individuals are current members of the Board of Directors. Director Dan Tachiera, a director of the Bank since 2019 will step down from the Board of Directors following the Annual Meeting. It is intended that the person named in the proxies solicited by the Board will vote for the election of the ten (10) named nominees. If nominee(s) is/are unable to serve, the shares represented by all valid proxies will be voted for the election of such substitute as the Board of Directors may recommend. At this time, the Board knows of no reason why the nominee(s) might be unavailable to serve. Pursuant to the Bank’s Charter, every shareholder voting for the election of directors is entitled to cumulate his or her votes by multiplying his or her shares times the number of nominees to be elected. Each shareholder will be entitled to cast his or her votes all for one nominee or distribute his or her votes among any number of nominees.

None of the directors or executive officers of the Bank were selected pursuant to any arrangement or understanding, other than with the directors and executive officers of the Bank acting within their capacities as such. There are no family relationships between and among the directors and executive officers of the Bank. None of the directors or executive officers of the Bank serve as directors of any Bank that has a class of securities registered under, or which are subject to the periodic reporting requirements of, the Securities Exchange Act of 1934 or any investment bank registered under the Investment Company Act of 1940.



The following table sets forth the names and certain information regarding the persons to be nominated by the Board of Directors for election:

<b>Name and Title (Other than Director)</b>	<b>Age</b>	<b>Business Experience</b>	<b>Year First Elected or</b>
Tim Chrisman (Chairman)	76	Retired Financial Services Executive Recruiter	2021
Louis Cosso	81	Retired Bank Executive	New
Greg Gersack	57	Managing Director of Financial Advisory Firm	2018
Arnold Grisham	76	Retired Bank Executive; Consultant.	New
James Keefe	69	Investor	2010
Mark Lefanowicz	67	Chief Executive Officer of National Mortgage Lender	New
Hope Lundt	51	Investment Fund Manager; Interim President/CEO of the Bank	2021
Collin Madden	51	Investor	2013
Curt Stoller	71	Retirement Plan Consultant; Investment Advisor	New
Alan Schick	64	Retired Attorney	2021

Director Nominees Messrs. Cosso, Grisham, Lefanowicz, and Stoller do not own any shares of Common Stock or Series D Preferred Stock as of the October 19, 2023, record date.

### **Director Biographical Summaries**

*Tim Chrisman* is a retired financial services executive recruiter. He has served on multiple bank and bank holding company boards. He also served as chairman of the Federal Home Loan Bank of San Francisco.

*Louis Cosso* is a retired bank executive with more than 38 years of experience. Previously, he was the Head of Auto Lending for Wells Fargo Bank. He has served on multiple bank boards.

*Greg Gersack* is a Managing Director at Janney Montgomery Scott LLC. He has more than 30 years of experience in investment banking.

*Arnold Grisham* is a consultant with extensive management experience in the banking industry and has previously served as the President and Chief Executive Officer of several banks.

*James Keefe* is a financial consultant with broad-based experience in mortgage and corporate finance. Mr. Keefe has also been a business owner, investor, and entrepreneur since 1984.

*Mark Lefanowicz* is the Executive Chairman and former Chief Executive Officer of The Loan Store, Inc., a national residential mortgage lender headquartered in Tucson, Arizona.

*Hope Lundt* is the managing partner for Spence Limited, L.P., a financial services hedge fund that invests in community banks throughout the U.S. She has more than 30 years' experience in analyzing, advising and investing in the financial services sector and serves on the boards of several banks and bank holding companies. Ms. Lundt currently serves as the Interim President and Chief Executive Officer of the Bank.

*Collin Madden* is a founding partner at GEM Real Estate Partners. Mr. Madden is an experienced investor with expertise in financial institutions and real estate.

*Curt Stoller* is the principal of The Stoller Company, Inc. a Retirement Plan Consulting and Plan Administration firm and an investment advisor for Stoller Investment Advisors, Inc.

*Alan Schick* is a retired attorney, and formerly was a partner with the law firm of Luse Gorman Pomerenk & Schick. He has extensive experience advising boards in matters relating to bank corporate and regulatory affairs and has previously served as a director of a community bank.

### **Meetings and Committees of the Board of Directors**

The Board of Directors conducts its business through meetings of the board and through its committees. During the fiscal year ended December 31, 2022, and through the first three quarters of 2023, the Board of Directors held 21 regular and 4 special meetings. No director of the Bank attended fewer than 75% of the total meetings of the Board of Directors and committee meetings on which such board member served during this period.

In addition to meeting as a group to review the Bank's business, certain members of the Board of Directors also devote their time and talents to certain various standing committees, which meet monthly.

The Executive Committee, which was formed in 2023, currently includes Directors Chrisman, Keefe, and Lundt. The Executive Committee was organized to oversee and manage the business and affairs of the Board of Directors and the Bank during intervals between the meetings of the Board of Directors until a permanent President and Chief Executive Officer of the Bank is hired.

The Asset-Liability Committee ("ALCO") currently includes Directors Gersack, Tachiera, and Lundt. The ALCO reviews the Bank's investment portfolio, liquidity, interest rate risk and monitors the Bank's compliance with ALCO Policies.

The Audit Committee currently includes Directors Madden, Tachiera, and Schick. The Audit Committee reviews audit reports and remedial actions taken as a result thereof. The Audit Committee also meets annually with the Bank's independent auditors to review the results of the Bank's annual financial audit.

The Compliance Committee currently includes Directors Lundt, Madden, and Schick. The Compliance Committee reviews compliance with regulatory orders and findings.

The Directors' Loan Committee currently includes Directors Schick, Gersack, and Keefe. The Directors' Loan Committee has the authority to approve loans up to the Bank's internal lending limit.

The Governance and Compensation Committee currently includes Directors Tachiera, Chrisman, Schick, and Gersack. The Governance and Compensation Committee serves as a nominating committee for selecting the nominees for election as directors. The Governance and Compensation Committee also reviews executive officer performance and compensation. While the Board of Directors will consider director nominees recommended by shareholders, it has not actively solicited recommendations from the Bank's shareholders for nominees, nor has it established any procedures for this purpose other than as set forth in the Bylaws.

### **Recommendation of the Bank's Board of Directors**

The Bank's Board of Directors recommends that shareholders vote "FOR" the Election of the proposed directors.

## **EXECUTIVE OFFICERS AND COMPENSATION**

### **Cash Compensation**

In accordance with the Bank's Bylaws, the Board of Directors appoints officers annually. The following table sets forth for the fiscal year ended December 31, 2022, certain information as to the cash remuneration received by the three highest paid executive officers of the Bank during this period and for all executive officers as a group for services in all capacities to the Bank.

<b>Name of Officer</b>	<b>Current Position</b>	<b>Cash Compensation</b>	<b>Bonus</b>	<b>Total</b>
Glen C. Terry	Chief Executive Officer	\$225,000	\$0	\$225,000
Jeffrey Vock	Chief Credit Officer/EVP	\$200,000	\$0	\$200,000
Giancarlo Lanciotti	Chief Financial Officer	\$175,000	\$0	\$175,000
All Executive Officers as a Group		\$600,000	\$0	\$600,000

The executive officers are receiving the same annual cash compensation for 2023. On June 1, 2023, Glen Terry, the former Chief Executive Officer of the Bank, retired. Hope Lundt has been appointed by the Board of Directors as the interim President and Chief Executive Officer of the Bank until a permanent replacement is hired. She is not receiving any salary or other cash compensation in connection with this role. Directors have not received fees since 2022.

### **Employee Benefit Plans**

In October 1995, the Bank adopted the Gateway 401(k) Employee Savings Plan. The plan is available to all employees of the Bank who are at least 21 years of age and have completed three months of service. Under provisions of the plan, participants may contribute up to 100% of their pretax income each year up to a dollar limit, which is established by law. The Bank's contribution to the plan is discretionary and is allocated among participants based on their annual compensation and the total compensation of all eligible participants. The Bank's contributions vest at a rate of 25% for each year of service beginning after the first completed year of service. The Bank did not contribute to the plan for the year ended December 31, 2022.

### **Transactions with the Bank**

Some of the Bank's officers, directors, and principal shareholders and their associates, as well as companies with which they are associated, are customers of the Bank and may have banking transactions with the Bank, in the ordinary course of business. As of September 30, 2023, no officer, director or principal shareholder, or any of their associates, was indebted to the Bank.

## **PROPOSAL 2 - CHARTER AMENDMENT TO INCREASE AUTHORIZED SHARES**

### **Proposed Amendment**

The first sentence of Section 5 of the Bank's Charter currently reads as follows:

**"Section 5. Capital Stock.** The total number of shares of all classes of the capital stock that the savings bank has the authority to issue is 120,000,000, 100,000,000 of which shall be common stock of par value of \$0.10 per share and 20,000,000 shall be Preferred Stock, no par value."

The proposed amendment to the charter would delete the first sentence of Section 5 in its entirety and replace it with the following:

**"Section 5. Capital Stock.** The total number of shares of all classes of the capital stock that the savings bank has the authority to issue is 320,000,000, 300,000,000 of which shall be common stock of par value of \$0.10 per share and 20,000,000 shall be Preferred Stock, no par value."

### **Effect of the Proposed Amendment**

The total number of shares of all classes of capital stock that the Bank has the authority to issue is 120,000,000 shares, of which 100,000,000 shares consists of common stock with a par value of \$0.10 per share and 20,000,000 shares consists of preferred stock with no par value. The amendment would increase the total number of authorized shares to 320,000,000 and increase the number of authorized common shares to 300,000,000 shares, \$0.10 par value per share.

As of the Record Date for the meeting, 61,912,602 shares of common stock were issued and outstanding, and 12,000,000 shares of common stock were reserved for issuance in connection with the Bank's Stock Incentive Plan. There were an additional 5,800 shares of 0% Convertible Preferred Stock, Series D ("**Series D Preferred Stock**") issued and outstanding, which are convertible into shares of common stock in certain circumstances, as described below.

The proposed increase in the number of shares of authorized common stock will make additional shares available, if needed, for issuance in connection with future stock benefit plans, financings, stock splits, stock dividends, acquisitions or capital-raising transactions, and other corporate purposes. No further action or authorization by the Bank's shareholders would be necessary prior to the issuance of the additional shares unless required by applicable law or regulatory agencies or by the rules of any stock exchange on which the Bank's securities may then be listed. However, the Board is subject to fiduciary duties in connection with its decisions and would authorize the issuance of additional shares only if the Board determines it to be in the best interests of the Bank and its shareholders.

The holders of any of the additional shares of common stock issued in the future would have the same rights and privileges as the holders of the shares of common stock currently authorized and outstanding. Those rights do not include preemptive rights with respect to the future issuance of any additional shares.

## **Reasons for the Proposed Charter Amendment**

Pursuant to the revised capital plan developed for the Bank, the Board of Directors has determined that it is prudent and in the best interests of the Bank to raise up to \$15,000,000 in additional capital through the Proposed Offering of common stock to accredited investors in accordance with applicable securities law exemptions. This additional capital infusion would, among other things, allow the Bank to improve earnings and pursue additional strategic opportunities, and improve the regulatory capital levels of the Bank prudently and expeditiously.

The offering price for each share of common stock in connection with the Proposed Offering will be \$0.10, which was determined by the Board of Directors after taking into account a number of factors, including the book value of the Bank's common stock on a per share basis, stock trading and pricing metrics of the Bank's peers, the terms of capital raising transactions involving financial institutions similar to the Bank, the Bank's operating history and prospects, the price at which investors would likely purchase shares, and the prospects of the banking industry in which the Bank competes. If the Proposed Offering is fully subscribed to, this will result in the issuance of 150,000,000 in new shares of common stock.

In addition to the Proposed Offering, the outstanding Series D Preferred Stock is automatically convertible for common stock, at the offering price of \$0.10 per share, in the event the Bank commences any private or public offering of equity securities, and the Board of Directors determines that the existence of the outstanding shares of Series D Preferred Stock would impair the ability of the Bank to raise capital. The Board of Directors anticipates that it will make this determination, and therefore, the Proposed Offering will trigger the automatic conversion of the Series D Preferred Stock to common stock. The number of shares of common stock issued in exchange for each share of Series D Preferred Stock is equal to the Series D Preferred Stock liquidation value (\$1,000) divided by the \$0.10 offering price. Therefore, each share of Series D Preferred Stock will be automatically convertible into 10,000 shares of common stock, which will result in the issuance of an additional 58,000,000 shares of common stock to holders of Series D Preferred Stock.

Finally, as discussed in Proposal 3 below, the Board of Directors believes that it is in the best interest of the Bank to increase the number of authorized shares of common stock reserved for issuance under the Stock Incentive Plan in order to attract and retain individuals who are key contributors to the success of the Bank.

Given that there are only 29,087,398 authorized but unissued shares of Bank common stock, the Board of Directors believes an additional 200,000,000 shares are necessary to raise the desired capital through the Proposed Offering, to effect the conversion of the Series D Preferred Stock to common stock, to increase the authorized shares reserved for issuance under the Stock Incentive Plan, and to provide us with flexibility to more easily be able to raise additional capital in the future, should that become necessary.

## **Effects of the Proposed Offering on Existing Shareholders**

The Proposed Offering, which will be made possible through the proposed increase in the number of authorized shares of common stock, will have both positive and negative effects on our existing common shareholders. All of these changes will affect all existing shareholders in the same way. Our Board of Directors considered each of the following effects in determining to approve the proposed increase in authorized shares and the Proposed Offering.

*Benefits:*

As a result of the Proposed Offering, assuming it is successful, current shareholders will:

- Enable the Bank to execute on strategic initiatives with the target of becoming sustainably profitable;
- Allow the Bank to achieve the capital levels being imposed by banking regulators on financial institutions with similar risk profiles;
- Be entitled to continue to vote on all matters brought before our shareholders; and
- Provide balance sheet flexibility, which will improve liquidity and increase the likelihood of more stable earnings and profitability, as the Bank will be able to increase its earning assets through the origination of loans and to a lesser extent securities purchases.

*Detriment:*

- As a result of the Proposed Offering, assuming it is successful, current shareholders who do not subscribe for additional shares of common stock will have their current ownership interests diluted because of the new shares that are being sold in the Proposed Offering. This dilution would be significant.
- Further, regardless of whether you subscribe for additional shares, there would be dilution to the per share value of your stock. Pursuant to the terms of the Proposed Offering, the shares of the Bank's common stock per share will be offered at a discount to the current tangible book value. The sale of any shares at a discount to book value will immediately dilute the value of any shares currently outstanding.
- Because the Proposed Offering will only be available to select shareholders and potential investors, you may not have an opportunity to purchase shares in the Proposed Offering in order to minimize the dilutive impact the Proposed Offering would have on the value and voting power of your shares.

**Potential Consequences if Amendment is not Approved or Proposed Offering is not Successful**

If our shareholders do not approval the authorization of additional shares through the approval of the amendment to the Charter, we will need to seek other means of addressing our capital needs, including, among other things, shrinking the Bank's balance sheet and restricting our current activities and plans. Further, there is no guarantee that other sources of capital will be forthcoming, or that the terms of such capital will be favorable to the Bank and the interests of our shareholders.

If the Bank does not raise the additional capital, we anticipate that the Bank will be subject to increased regulatory scrutiny from its federal bank regulators.

**Recommendation of the Bank's Board of Directors**

The Bank's Board of Directors recommends a vote "FOR" the approval of the Charter Amendment

increasing the number of authorized shares of common stock.

### **PROPOSAL 3 - INCREASE IN AUTHORIZED SHARES UNDER STOCK INCENTIVE PLAN**

Currently, the Bank is authorized to issue up to a total of 12,000,000 shares of common stock under the Stock Incentive Plan, which was approved by the shareholders at the 2020 Annual Meeting of Shareholders. The Stock Incentive Plan was adopted to attract and retain individuals who are key contributors to the success of the Bank. The market remains competitive for highly talented individuals in the financial services industry, and stock options, restricted stock, stock appreciation rights and other stock-related awards are an effective recruitment and retention vehicle.

Since the adoption of the Stock Incentive Plan, the Board of Directors has not issued any option grants or stock awards under the plan. However, the Board of Directors anticipates that in order to attract new management to the Bank and retain key personnel, it will issue stock awards under the Stock Incentive Plan in the foreseeable future, and an increase in the number of shares for issuance upon the grant or exercise of awards made pursuant to the Stock Incentive Plan is necessary and prudent. Accordingly, the Board of Directors has approved an amendment to the Stock Incentive Plan increasing the number of shares reserved for issuance from 12,000,000 to 27,000,000.

Action by the shareholders is not required by law in increasing the number of authorized shares under the Stock Incentive Plan, but such increase is submitted by the Board of Directors in order to give the shareholders the opportunity to present their views. If the proposal to ratify the increase in authorized shares under the Stock Incentive Plan is not approved by the shareholders, then the Board of Directors may reconsider such an increase.

#### **Recommendation of the Bank's Board of Directors**

The Bank's Board of Directors recommends a vote **"FOR"** the ratification of the increase in authorized shares under the Stock Incentive Plan.

### **PROPOSAL 4 – APPROVAL OF SALE OF COMMON STOCK TO INSIDERS**

As part of the revised capital plan of the Bank, the Board of Directors intends to raise up to \$15,000,000 in additional capital through the Proposed Offering, which will involve the offer and sale of common stock at a purchase price of \$0.10 per share to certain shareholders of the Bank and potential new investors. The Proposed Offering will be limited to accredited investors in accordance with applicable securities law exemptions.

Pursuant to the Bank's Charter, the issuance and sale of capital stock to any officers, directors or controlling persons of the Bank in connection with a private offering must be approved by a majority of the shareholders of the Bank. The Bank has not commenced the Proposed Offering, but currently it is anticipated that certain officers, directors and/or controlling persons will participate in the Proposed Offering, and therefore, a majority of shares held by the shareholders must approve the Proposed Offering. Based on an initial indication of interest, we expect that these insiders (including the proposed directors) will purchase approximately 50% of the shares sold in connection with the Proposed Offering.

If our shareholders do not approve the sale of common stock to officers, directors or controlling persons in connection with the Proposed Offering, it is likely that the amount of capital raised by the Bank in

connection with the Proposed Offering will be significantly less than \$15,000,000, and we will need to seek other means of addressing our capital needs, including, among other things, shrinking the Bank's balance sheet and restricting our current activities and plans. Further, if the Bank does not raise sufficient additional capital, we anticipate that the Bank will be subject to increased regulatory scrutiny from its federal bank regulators.

**Recommendation of the Bank's Board of Directors**

The Bank's Board of Directors recommends a vote "FOR" the approval of the sale of common stock to officers, directors and/or controlling persons in connection with the Proposed Offering.

**PROPOSAL 5 - RATIFICATION OF APPOINTMENT OF THE BANK'S INDEPENDENT ACCOUNTING FIRM**

The Audit Committee has approved the selection of the firm of Eide Bailly LLP to serve as independent public accounting firm for 2023 to audit the financial statements of the Bank. Action by the shareholders is not required by law in the appointment of the independent accounting firm, but their appointment is submitted by the Audit Committee and the Board of Directors in order to give the shareholders an opportunity to present their views. If the proposal is approved, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Bank and its shareholders. If the proposal to ratify the selection of Eide Bailly LLP as the Bank's independent auditors is not approved by the shareholders, then the Audit Committee may reconsider its choice of independent auditors.

The Board of Directors of the Bank proposes to approve and appoint Eide Bailly LLP as the Bank's public accounting firm for the fiscal year ending December 31, 2023.

**Recommendation of the Bank's Board of Directors**

The Bank's Board of Directors recommends a vote "FOR" the appointment of Eide Bailly LLP as the Bank's independent public accounting firm for the fiscal year ending December 31, 2023.

Dated: October 23, 2023

BY ORDER OF THE BOARD OF DIRECTORS  
GATEWAY BANK, F.S.B.



Hope W. Lundt  
Interim President and CEO