

Main Street Capital CORP
Form 10-Q
November 03, 2017

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from: _____ to _____
Commission File Number: 001-33723

Main Street Capital Corporation

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

41-2230745
(I.R.S. Employer
Identification No.)

1300 Post Oak Boulevard, 8th Floor
Houston, TX
(Address of principal executive offices)

77056
(Zip Code)

(713) 350-6000
(Registrant's telephone number including area code)

n/a
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/> (do not check if smaller reporting company)	Smaller reporting company <input type="radio"/>
			Emerging growth company <input type="radio"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock as of November 2, 2017 was 58,097,927.

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Balance Sheets****(dollars in thousands, except shares and per share amounts)**

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Portfolio investments at fair value:		
Control investments (cost: \$527,609 and \$439,674 as of September 30, 2017 and December 31, 2016, respectively)	\$ 715,873	\$ 594,282
Affiliate investments (cost: \$376,957 and \$394,699 as of September 30, 2017 and December 31, 2016, respectively)	338,231	375,948
Non-Control/Non-Affiliate investments (cost: \$1,144,962 and \$1,037,510 as of September 30, 2017 and December 31, 2016, respectively)	1,115,877	1,026,676
Total investments (cost: \$2,049,528 and \$1,871,883 as of September 30, 2017 and December 31, 2016, respectively)	2,169,981	1,996,906
Cash and cash equivalents	30,144	24,480
Interest receivable and other assets	39,374	35,133
Receivable for securities sold	26,090	1,990
Deferred financing costs (net of accumulated amortization of \$5,344 and \$4,598 as of September 30, 2017 and December 31, 2016, respectively)	4,093	4,718
Deferred tax asset, net		9,125
Total assets	\$ 2,269,682	\$ 2,072,352
LIABILITIES		
Credit facility	\$ 355,000	\$ 343,000
SBIC debentures (par: \$274,800 and \$240,000 as of September 30, 2017 and December 31, 2016, respectively)	269,345	235,686
4.50% Notes (par: \$175,000 as of both September 30, 2017 and December 31, 2016)	173,435	172,893
6.125% Notes (par: \$90,655 as of both September 30, 2017 and December 31, 2016)	88,981	88,752
Accounts payable and other liabilities	14,357	14,205
Payable for securities purchased	23,172	2,184
Interest payable	3,609	4,103
Dividend payable	10,935	10,048
Deferred tax liability, net	1,182	
Total liabilities	940,016	870,871
Commitments and contingencies (Note M)		
NET ASSETS		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 57,680,789 and 54,312,444 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively)	577	543
Additional paid-in capital	1,272,175	1,143,883
Accumulated net investment income, net of cumulative dividends of \$603,902 and \$521,297 as of September 30, 2017 and December 31, 2016, respectively	29,099	19,033
Accumulated net realized gain from investments (accumulated net realized gain from investments of \$76,236 before cumulative dividends of \$133,997 as of September 30, 2017 and accumulated net	(57,761)	(58,887)

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realized gain from investments of \$48,394 before cumulative dividends of \$107,281 as of December 31, 2016)

Net unrealized appreciation, net of income taxes	85,576	96,909
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Total net assets	1,329,666	1,201,481
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Total liabilities and net assets	\$ 2,269,682	\$ 2,072,352
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NET ASSET VALUE PER SHARE	\$ 23.02	\$ 22.10
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The accompanying notes are an integral part of these consolidated financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Operations**

(dollars in thousands, except shares and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
INVESTMENT INCOME:				
Interest, fee and dividend income:				
Control investments	\$ 15,145	\$ 14,826	\$ 42,720	\$ 40,398
Affiliate investments	10,134	9,619	29,601	27,095
Non-Control/Non-Affiliate investments	26,507	22,149	77,623	63,841
Interest, fee and dividend income	51,786	46,594	149,944	131,334
Interest, fee and dividend income from marketable securities and idle funds investments		5		174
Total investment income	51,786	46,599	149,944	131,508
EXPENSES:				
Interest	(9,420)	(8,573)	(26,820)	(25,010)
Compensation	(4,777)	(4,309)	(13,762)	(12,081)
General and administrative	(2,748)	(2,247)	(8,748)	(6,808)
Share-based compensation	(2,476)	(2,137)	(7,542)	(5,977)
Expenses allocated to the External Investment Manager	1,664	1,224	4,816	3,739
Total expenses	(17,757)	(16,042)	(52,056)	(46,137)
NET INVESTMENT INCOME	34,029	30,557	97,888	85,371
NET REALIZED GAIN (LOSS):				
Control investments	(2,848)	17,862	259	32,220
Affiliate investments	(9,896)	(3,447)	12,920	25,260
Non-Control/Non-Affiliate investments	2,038	(10,033)	14,663	(22,452)
Marketable securities and idle funds investments		(96)		(1,681)
SBIC debentures			(5,217)	
Total net realized gain (loss)	(10,706)	4,286	22,625	33,347
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):				
Portfolio investments	16,368	8,376	(4,358)	(29,738)
Marketable securities and idle funds investments		235		1,729
SBIC debentures	(221)	(801)	5,408	(820)
Total net change in unrealized appreciation (depreciation)	16,147	7,810	1,050	(28,829)
INCOME TAXES:				
Federal and state income, excise and other taxes	(799)	(904)	(2,489)	(2,372)
Deferred taxes	(3,772)	1,432	(9,894)	3,390
Income tax benefit (provision)	(4,571)	528	(12,383)	1,018
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 34,899	\$ 43,181	\$ 109,180	\$ 90,907

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NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED	\$	0.60	\$	0.58	\$	1.74	\$	1.66
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE BASIC AND DILUTED	\$	0.61	\$	0.82	\$	1.94	\$	1.76
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DIVIDENDS PAID PER SHARE:

Regular monthly dividends	\$	0.555	\$	0.540	\$	1.665	\$	1.620
Supplemental dividends						0.275		0.275

Total dividends	\$	0.555	\$	0.540	\$	1.940	\$	1.895
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WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED	57,109,104	52,613,277	56,140,953	51,538,745
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The accompanying notes are an integral part of these consolidated financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Changes in Net Assets**

(dollars in thousands, except shares)

(Unaudited)

	Common Stock			Accumulated Net Investment Income, Net of Dividends	Accumulated Net Realized Gain From Investments, Net of Dividends	Net Unrealized Appreciation from Investments, Net of Income Taxes	Total Net Asset Value
	Number of Shares	Par Value	Additional Paid-In Capital				
Balances at December 31, 2015	50,413,744	\$ 504	\$ 1,011,467	\$ 7,181	\$ (49,653)	\$ 101,395	\$ 1,070,894
Public offering of common stock, net of offering costs	1,996,793	20	64,239				64,259
Share-based compensation			5,977				5,977
Purchase of vested stock for employee payroll tax withholding	(80,750)	(1)	(2,592)				(2,593)
Dividend reinvestment	339,544	3	10,645				10,648
Amortization of directors' deferred compensation			464				464
Issuance of restricted stock, net of forfeited shares	262,586	3	(3)				
Dividends to stockholders				(54,131)	(43,881)		(98,012)
Cumulative-effect to retained earnings for excess tax benefit						1,806	1,806
Net increase (decrease) resulting from operations				85,371	33,347	(27,811)	90,907
Balances at September 30, 2016	52,931,917	\$ 529	\$ 1,090,197	\$ 38,421	\$ (60,187)	\$ 75,390	\$ 1,144,350
Balances at December 31, 2016	54,354,857	\$ 543	\$ 1,143,883	\$ 19,033	\$ (58,887)	\$ 96,909	\$ 1,201,481
Public offering of common stock, net of offering costs	3,119,581	31	118,087				118,118
Share-based compensation			7,542				7,542
Purchase of vested stock for employee payroll tax withholding	(113,371)	(1)	(4,350)				(4,351)
Investment through issuance of unregistered shares	11,464		442				442
Dividend reinvestment	158,301	2	6,085				6,087
Amortization of directors' deferred compensation			488				488
Issuance of restricted stock, net of forfeited shares	225,361	2	(2)				
Dividends to stockholders				(82,605)	(26,716)		(109,321)
Net increase (decrease) resulting from operations				92,671	27,842	(11,333)	109,180
Balances at September 30, 2017	57,756,193	\$ 577	\$ 1,272,175	\$ 29,099	\$ (57,761)	\$ 85,576	\$ 1,329,666

The accompanying notes are an integral part of these consolidated financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Cash Flows**

(dollars in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 109,180	\$ 90,907
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Investments in portfolio companies	(743,695)	(420,036)
Proceeds from sales and repayments of debt investments in portfolio companies	527,562	274,907
Proceeds from sales and return of capital of equity investments in portfolio companies	80,078	73,017
Investments in marketable securities and idle funds investments		(523)
Proceeds from sales and repayments of marketable securities and idle funds investments		4,316
Net change in net unrealized (appreciation) depreciation	(1,050)	28,829
Net realized gain	(22,625)	(33,347)
Accretion of unearned income	(12,403)	(7,073)
Payment-in-kind interest	(4,122)	(4,911)
Cumulative dividends	(2,711)	(1,470)
Share-based compensation expense	7,542	5,977
Amortization of deferred financing costs	2,022	1,931
Deferred tax (benefit) provision	9,894	(3,390)
Changes in other assets and liabilities:		
Interest receivable and other assets	(2,848)	(685)
Interest payable	(494)	(398)
Accounts payable and other liabilities	640	(247)
Deferred fees and other	2,050	1,644
Net cash provided by (used in) operating activities	(50,980)	9,448
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from public offering of common stock, net of offering costs	118,118	64,259
Dividends paid	(102,347)	(86,655)
Proceeds from issuance of SBIC debentures	60,000	6,000
Repayments of SBIC debentures	(25,200)	
Proceeds from credit facility	394,000	254,000
Repayments on credit facility	(382,000)	(232,000)
Payment of deferred loan costs and SBIC debenture fees	(1,576)	(925)
Purchases of vested stock for employee payroll tax withholding	(4,351)	(2,593)
Other		(83)
Net cash provided by financing activities	56,644	2,003
Net increase in cash and cash equivalents	5,664	11,451
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,480	20,331
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 30,144	\$ 31,782

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Supplemental cash flow disclosures:

Interest paid	\$	25,200	\$	23,368
Taxes paid	\$	3,162	\$	1,762

Non-cash financing activities:

Shares issued pursuant to the DRIP	\$	6,087	\$	10,648
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The accompanying notes are an integral part of these consolidated financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
<u>Control Investments(5)</u>					
Access Media Holdings, LLC(10)	Private Cable Operator	5% Current / 5% PIK Secured Debt (Maturity July 22, 2020)(19)	\$ 23,529	\$ 23,529	\$ 19,440
		Preferred Member Units (7,771,500 units)		7,665	150
		Member Units (45 units)		1	
				31,195	19,590
ASC Interests, LLC	Recreational and Educational Shooting Facility	11% Secured Debt (Maturity July 31, 2018)	1,925	1,917	1,925
		Member Units (1,500 units)(8)		1,500	1,820
				3,417	3,745
Bond-Coat, Inc.	Casing and Tubing Coating Services	12% Secured Debt (Maturity December 28, 2017)	11,596	11,586	11,596
		Common Stock (57,508 shares)		6,350	8,430
				17,936	20,026
Café Brazil, LLC	Casual Restaurant Group	Member Units (1,233 units)(8)		1,742	5,390
CBT Nuggets, LLC	Produces and Sells IT Training Certification Videos	Member Units (416 units)(8)		1,300	71,850
Charps, LLC	Pipeline Maintenance and Construction	12% Secured Debt (Maturity February 3, 2022)	18,400	18,217	18,217
		Preferred Member Units (1,600 units)		400	400
				18,617	18,617
Clad-Rex Steel, LLC	Specialty Manufacturer of Vinyl-Clad Metal	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity December 20, 2021)(9)	13,680	13,558	13,680

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Member Units (717 units)(8)		7,280	8,520
10% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity December 20, 2036)	1,188	1,177	1,177
Member Units (Clad-Rex Steel RE Investor, LLC) (800 units)		210	210
		22,225	23,587

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
CMS Minerals Investments	Oil & Gas Exploration & Production	Member Units (CMS Minerals II, LLC) (100 units)(8)		3,491	2,582
Copper Trail Energy Fund I, LP(12)(13)	Investment Partnership	LP Interests (Fully diluted 30.1%)		2,500	2,500
Datacom, LLC	Technology and Telecommunications Provider	8% Secured Debt (Maturity May 30, 2018)	1,350	1,350	1,350
		5.25% Current / 5.25% PIK Secured Debt (Maturity May 30, 2019)(19)	12,133	12,088	11,370
		Class A Preferred Member Units		1,181	1,360
		Class B Preferred Member Units (6,453 units)		6,030	
				20,649	14,080
Gamber-Johnson Holdings, LLC	Manufacturer of Ruggedized Computer Mounting Systems	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.24%, Secured Debt (Maturity June 24, 2021)(9)	23,680	23,480	23,680
		Member Units (8,619 units)(8)		14,844	22,960
				38,324	46,640
Garreco, LLC	Manufacturer and Supplier of Dental Products	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.30%, Secured Debt (Maturity March 31, 2020)(9)	5,724	5,678	5,678
		Member Units (1,200 units)		1,200	1,830
				6,878	7,508
GRT Rubber Technologies LLC	Manufacturer of Engineered Rubber Products	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.24%, Secured Debt (Maturity December 19, 2019)(9)	12,030	11,969	12,030
		Member Units (5,879 units)(8)		13,065	20,680

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			25,034	32,710
Gulf Manufacturing, LLC	Manufacturer of Specialty Fabricated Industrial Piping Products			
		Member Units (438 units)(8)	2,980	10,680

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Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
Gulf Publishing Holdings, LLC	Energy Industry Focused Media and Publishing	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity September 30, 2020)(9) 12.5% Secured Debt (Maturity April 29, 2021) Member Units (3,681 units)	80 12,800	80 12,697 3,681 16,458	80 12,697 4,330 17,107
Harborside Holdings, LLC	Real Estate Holding Company	Member units (100 units)		6,206	9,400
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic Generators	Common Stock (107,456 shares)		718	2,800
HW Temps LLC	Temporary Staffing Solutions	LIBOR Plus 13.00% (Floor 1.00%), Current Coupon 14.24%, Secured Debt (Maturity July 2, 2020)(9) Preferred Member Units (3,200 units)	9,976	9,913 3,942 13,855	9,913 3,940 13,853
Hydratec, Inc.	Designer and Installer of Micro-Irrigation Systems	Common Stock (7,095 shares)(8)		7,095	15,480
IDX Broker, LLC	Provider of Marketing and CRM Tools for the Real Estate Industry	11.5% Secured Debt (Maturity November 15, 2018) Member Units (5,400 units)(8)	10,050	10,023 5,606 15,629	10,050 9,000 19,050
Jensen Jewelers of Idaho, LLC	Retail Jewelry Store	Prime Plus 6.75% (Floor 2.00%), Current Coupon 11.00%, Secured Debt (Maturity November 14, 2019)(9) Member Units (627 units)(8)	4,105	4,062 811 4,873	4,105 4,460 8,565

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KBK Industries, LLC	Manufacturer of Specialty Oilfield and Industrial Products				
		10% Secured Debt			
		(Maturity September 28, 2020)	750	750	750
		12.5% Secured Debt			
		(Maturity September 28, 2020)	5,900	5,900	5,900
		Member Units (325 units)(8)		783	4,060
				7,433	10,710

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
Lamb Ventures, LLC	Aftermarket Automotive Services Chain	11% Secured Debt (Maturity July 1, 2022)	10,079	10,024	10,024
		Preferred Equity (non-voting)		400	400
		Member Units (742 units)(8)		5,273	6,430
		9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity March 31, 2027)	432	428	432
		Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)		625	520
				16,750	17,806
Marine Shelters Holdings, LLC	Fabricator of Marine and Industrial Shelters	12% PIK Secured Debt (Maturity December 28, 2017)(14)	3,131	3,078	
		Preferred Member Units (3,810 units)		5,352	
				8,430	
Market Force Information, LLC	Provider of Customer Experience Management Services	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.32%, Secured Debt (Maturity July 28, 2022)(9)	512	512	512
		LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.32%, Secured Debt (Maturity July 28, 2022)(9)	23,520	23,293	23,293
		Member Units (657,113 units)		14,700	14,700
				38,505	38,505
MH Corbin Holding LLC	Manufacturer and Distributor of Traffic Safety Products	10% Secured Debt (Maturity August 31, 2020)	12,775	12,694	12,694
		Preferred Member Units (4,000 shares)		6,000	6,000
				18,694	18,694
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger-Jointed Lumber Products		1,750	1,750	1,750

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10% Secured Debt (Maturity December 18, 2017)			
12% Secured Debt (Maturity December 18, 2017)	3,900	3,900	3,900
Member Units (3,554 units)		1,810	980
9.5% Secured Debt (Mid-Columbia Real Estate, LLC) (Maturity May 13, 2025)	802	802	802
Member Units (Mid-Columbia Real Estate, LLC) (500 units)(8)		790	1,290
		9,052	8,722

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
MSC Adviser I, LLC(16)	Third Party Investment Advisory Services	Member Units (Fully diluted 100.0%)(8)			39,304
Mystic Logistics Holdings, LLC	Logistics and Distribution Services Provider for Large Volume Mailers	12% Secured Debt (Maturity August 15, 2019) Common Stock (5,873 shares)	7,768	7,686 2,720	7,768 6,590
				10,406	14,358
NAPCO Precast, LLC	Precast Concrete Manufacturing	LIBOR Plus 8.50%, Current Coupon 9.82%, Secured Debt (Maturity May 31, 2019) Member Units (2,955 units)(8)	11,475	11,433 2,975	11,433 10,830
				14,408	22,263
NRI Clinical Research, LLC	Clinical Research Service Provider	LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt (Maturity January 15, 2018)(9) 14% Secured Debt (Maturity January 15, 2018) Warrants (251,723 equivalent units; Expiration September 8, 2021; Strike price \$0.01 per unit) Member Units (500,000 units)	400 4,205	400 4,205 252 765	400 4,205 500 2,500
				5,622	7,605
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	8% Current / 4% PIK Secured Debt (Maturity December 22, 2019)(19) Member Units (65,208 units)	15,037	15,037 3,717	15,037 1,260
				18,754	16,297
NuStep, LLC	Designer, Manufacturer and Distributor of Fitness Equipment				

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12% Secured Debt			
(Maturity January 31, 2022)	20,600	20,411	20,411
Preferred Member Units (406 units)		10,200	10,200
		30,611	30,611

OMi Holdings, Inc.	Manufacturer of Overhead Cranes	Common Stock (1,500 shares)(8)	1,080	12,740
Pegasus Research Group, LLC	Provider of Telemarketing and Data Services	Member Units (460 units)(8)	1,290	9,350

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
PPL RVs, Inc.	Recreational Vehicle Dealer	LIBOR Plus 7.00% (Floor 0.50%), Current Coupon 8.30%, Secured Debt (Maturity November 15, 2021)(9)	16,100	15,965	16,100
		Common Stock (1,962 shares)(8)		2,150	11,780
				18,115	27,880
Principle Environmental, LLC (d/b/a TruHorizon Environmental Solutions)	Noise Abatement Service Provider	13% Secured Debt (Maturity April 30, 2020)	7,477	7,335	7,335
		Preferred Member Units (19,631 units)		4,600	8,220
		Warrants (1,018 equivalent units; Expiration January 31, 2021; Strike price \$0.01 per unit)		1,200	420
				13,135	15,975
Quality Lease Service, LLC	Provider of Rigsite Accommodation Unit Rentals and Related Services	Zero Coupon Secured Debt (Maturity June 8, 2020)	7,341	7,341	6,950
		Member Units (1,000 units)		2,768	4,838
				10,109	11,788
River Aggregates, LLC	Processor of Construction Aggregates	Zero Coupon Secured Debt (Maturity June 30, 2018)	750	686	686
		Member Units (1,150 units)(8)		1,150	4,410
		Member Units (RA Properties, LLC) (1,500 units)		369	2,510
				2,205	7,606
SoftTouch Medical Holdings LLC	Provider of In-Home Pediatric Durable Medical Equipment	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.24%, Secured Debt (Maturity October 31, 2019)(9)	7,140	7,107	7,140
		Member Units (4,450 units)(8)		4,930	9,540

	12,037	16,680
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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)	
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	9% Secured Debt (Maturity October 2, 2018)	2,924	2,923	2,619	
		Series A Preferred Units (2,500 units)		2,500		
		Warrants (1,424 equivalent units; Expiration July 1, 2024; Strike price \$0.01 per unit)		1,096		
		Member Units (MPI Real Estate Holdings, LLC) (100 units)(8)		2,300	2,390	
				8,819	5,009	
Uvalco Supply, LLC	Farm and Ranch Supply Store	9% Secured Debt (Maturity January 1, 2019)	474	474	474	
		Member Units (1,867 units)(8)		3,579	4,307	
				4,053	4,781	
Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity December 23, 2018)	2,814	2,794	2,794	
		Series A Preferred Stock (3,000,000 shares)		3,000	3,000	
		Common Stock (1,126,242 shares)		3,706		
				9,500	5,794	
Ziegler's NYPD, LLC	Casual Restaurant Group	6.5% Secured Debt (Maturity October 1, 2019)	1,000	995	995	
		12% Secured Debt (Maturity October 1, 2019)		300	300	
		14% Secured Debt (Maturity October 1, 2019)	2,750	2,750	2,750	
		Warrants (587 equivalent units; Expiration September 29, 2018; Strike price \$0.01 per unit)		600	190	
		Preferred Member Units (10,072 units)		2,834	3,400	
				7,479	7,635	
Subtotal Control Investments (33.0% of total investments at fair value)			\$	527,609	\$	715,873

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
<u>Affiliate Investments(6)</u>					
AFG Capital Group, LLC	Provider of Rent-to-Own Financing Solutions and Services	Warrants (42 equivalent units; Expiration November 7, 2024; Strike price \$0.01 per unit) Member Units (186 units)(8)		\$ 259 1,200 1,459	\$ 750 3,130 3,880
Barfly Ventures, LLC(10)	Casual Restaurant Group	12% Secured Debt (Maturity August 31, 2020) Options (2 equivalent units) Warrant (1 equivalent unit; Expiration August 31, 2025; Strike price \$1.00 per unit)	8,715	8,568 397 473 9,438	8,689 780 440 9,909
BBB Tank Services, LLC	Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity April 8, 2021)(9) 15% Secured Debt (Maturity April 8, 2021) Member Units (800,000 units)	800 4,027	797 3,995 800 5,592	797 3,995 580 5,372
Boccella Precast Products LLC	Manufacturer of Precast Hollow Core Concrete	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.30%, Secured Debt (Maturity June 30, 2022)(9) Member Units (2,160,000 units)	16,400	16,223 2,160 18,383	16,223 2,160 18,383
Boss Industries, LLC	Manufacturer and Distributor of Air, Power and Other Industrial Equipment				

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Preferred Member Units (2,242
units)(8)

2,570

3,730

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
Bridge Capital Solutions Corporation	Financial Services and Cash Flow Solutions Provider	13% Secured Debt (Maturity July 25, 2021)	7,500	5,810	5,810
		Warrants (63 equivalent shares; Expiration July 25, 2026; Strike price \$0.01 per share)		2,132	3,370
		13% Secured Debt (Mercury Service Group, LLC) (Maturity July 25, 2021)	1,000	992	1,000
		Preferred Member Units (Mercury Service Group, LLC) (17,742 units)(8)		1,000	1,000
				9,934	11,180
Buca C, LLC	Casual Restaurant Group	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.48%, Secured Debt (Maturity June 30, 2020)(9)	21,204	21,078	21,078
		Preferred Member Units (6 units; 6% cumulative)(8)(19)		4,115	4,110
				25,193	25,188
CAI Software LLC	Provider of Specialized Enterprise Resource Planning Software	12% Secured Debt (Maturity October 10, 2019)	3,483	3,466	3,483
		Member Units (65,356 units)(8)		654	3,040
				4,120	6,523
CapFusion, LLC(13)	Non-Bank Lender to Small Businesses	13% Secured Debt (Maturity March 25, 2021)(14)	11,320	10,260	6,678
		Warrants (1,600 equivalent units; Expiration March 24, 2026; Strike price \$0.01 per unit)		1,200	
				11,460	6,678
Chandler Signs Holdings, LLC(10)	Sign Manufacturer	12% Secured Debt (Maturity July 4, 2021)	4,500	4,466	4,500

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Class A Units (1,500,000 units)(8)		1,500	2,650
		5,966	7,150
Condit Exhibits, LLC	Tradeshow Exhibits / Custom Displays Provider		
Member Units (3,936 units)(8)		100	1,840

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
Congruent Credit Opportunities Funds(12)(13)	Investment Partnership	LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)		5,730	1,515
		LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8)		17,869	18,714
				23,599	20,229
Dos Rios Partners(12)(13)	Investment Partnership	LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)		5,996	6,427
		LP Interests (Dos Rios Partners A, LP) (Fully diluted 6.4%)		1,904	1,889
				7,900	8,316
Dos Rios Stone Products LLC(10)	Limestone and Sandstone Dimension Cut Stone Mining Quarries	Class A Units (2,000,000 units)(8)		2,000	1,870
East Teak Fine Hardwoods, Inc.	Distributor of Hardwood Products	Common Stock (6,250 shares)(8)		480	630
East West Copolymer & Rubber, LLC	Manufacturer of Synthetic Rubbers	12% Current / 2% PIK Secured Debt (Maturity October 17, 2019)(14)(15) Warrants (2,510,790 equivalent units; Expiration October 15, 2024; Strike price \$0.01 per unit)	3,734	3,626	
				50	
				3,676	
EIG Fund Investments(12)(13)	Investment Partnership	LP Interests (EIG Global Private Debt Fund-A, L.P.) (Fully diluted 11.1%)(8)		295	247
Freeport Financial Funds(12)(13)	Investment Partnership	LP Interests (Freeport Financial SBIC Fund LP) (Fully diluted 9.3%)(8)		5,974	5,519
		LP Interests (Freeport First Lien Loan Fund III LP) (Fully diluted		7,559	7,507

6.0%)(8)	13,533	13,026
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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****September 30, 2017****(dollars in thousands)****(Unaudited)**

Portfolio Company(1)(20)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value(18)
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Collection of Healthcare and other Business Receivables	10.5% Secured Debt (Maturity January 1, 2019) Warrants (29,032 equivalent units; Expiration February 9, 2022; Strike price \$0.01 per unit)	12,592	12,592 400 12,992	11,642 11,642
Guerdon Modular Holdings, Inc.	Multi-Family and Commercial Modular Construction Company	13% Secured Debt (Maturity August 13, 2019) Preferred Stock (404,998 shares) Common Stock (212,033 shares)	10,708	10,622 1,140 2,983 14,745	10,622 950 11,572
Harris Preston Fund Investments(12)(13)	Investment Partnership	LP Interests (HPEP 3, L.P.) (Fully diluted 9.9%) LP Interests (2717 MH, L.P.) (Fully diluted 7.0%)		943 400 1,343	943 400 1,343
Hawk Ridge Systems, LLC(13)	Value-Added Reseller of Engineering Design and Manufacturing Solutions				
Directors and Executive Officers:					
Richard D. Ambrosio		13,500 ⁽¹⁾	*%		
Roy L. Eiguren		14,093	*		
Jack W. Gustavel		1,041,348 ⁽²⁾	13.45		
Kurt R. Gustavel		325,926 ⁽³⁾	4.16		

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Jerald J. Jaeger	213,158 ⁽⁴⁾	2.74
Paul H. Montreuil	42,000 ⁽⁵⁾	*
Alicia A. Ritter	15,825 ⁽⁶⁾	*
All directors and executive officers as a group (7 persons)	1,665,850	21.51
Beneficial owner of more than 5%:		
Kootenai Tribe of Idaho	588,236	7.60%

* Less than 1%.

- (1) Includes 13,000 options to acquire shares of IIBK common stock.
- (2) Includes 236,233 shares owned by Wynn Investments, LLC of which Mr. Gustavel serves as Manager, 113,375 shares owned by the Gustavel Family Irrevocable Trust of which Mr. Gustavel is the Trustee, 96,455 shares owned by Gustavel, LLC of which Mr. Gustavel serves as Manager, approximately 52,660 shares held by Mr. Gustavel's 401(k) plan, 193,099 shares owned by the Gustavel Irrevocable Grandchildrens Trust of which Mr. Gustavel disclaims ownership, and 28,211 shares owned by the Gustavel Irrevocable Great-Grandchildrens Trust of which Mr. Gustavel disclaims ownership.
- (3) Includes 100,000 options to acquire shares of IIBK common stock, 1,986 shares owned by his two minor sons, and approximately 42,724 shares held by Mr. Gustavel's 401(k) plan.
- (4) Includes 23,500 options to acquire shares of IIBK common stock.
- (5) Includes 22,500 options to acquire shares of IIBK common stock.
- (6) Includes 15,500 options to acquire shares of IIBK common stock.

LEGAL MATTERS

The validity of the First Interstate Class A common stock to be issued in the proposed merger has been passed upon for First Interstate by Luse Gorman, PC, Washington, D.C. Certain material U.S. federal income taxes consequences relating to the merger will be passed upon for First Interstate by Luse Gorman, PC, Washington, D.C. and for IIBK by Witherspoon Kelley, Spokane, Washington.

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EXPERTS

The consolidated financial statements of First Interstate as of December 31, 2017 and 2016 and for each of the years in the three-year period ended December 31, 2017 and the effectiveness of internal control over financial reporting as of December 31, 2017 have been incorporated by reference into this document in reliance upon the report of RSM US LLP, an independent registered public accounting firm, appearing in First Interstate's 2017 Annual Report on Form 10-K incorporated by reference in this document, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

First Interstate files annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public over the internet at the SEC's website at www.sec.gov. You may also read and copy any document First Interstate files with the SEC at its public reference room located at 100 F Street, NE, Washington, DC 20549. Copies of these documents also can be obtained at prescribed rates by writing to the Public Reference Section of the SEC, at 100 F Street, NE, Washington, DC 20549 or by calling 1-800-SEC-0330 for additional information on the operation of the public reference facilities.

First Interstate filed with the SEC a registration statement on Form S-4 under the Securities Act to register the shares of First Interstate Class A common stock to be issued to IIBK shareholders in the merger. This document is a part of that registration statement and constitutes a prospectus of First Interstate in addition to being a proxy statement of IIBK for its special meeting. As permitted by the SEC rules, this document does not contain all of the information that you can find in the registration statement or in the exhibits to the registration statement. The additional information may be inspected and copied as set forth above.

All information in this document concerning First Interstate and its subsidiaries has been furnished by First Interstate and all information in this document concerning IIBK and its subsidiaries has been furnished by IIBK.

Each IIBK shareholder will receive a separate copy of this document, regardless of whether such shareholder is residing at a shared address with one or more other IIBK shareholders.

You should rely only on the information contained in this document when evaluating the merger agreement. We have not authorized anyone to provide you with information that is different from what is contained in this document. This document is dated February 5, 2019. You should not assume that the information contained in this document is accurate as of any date other than such date, and neither the mailing of this document to shareholders of IIBK nor the issuance of shares of First Interstate Class A common stock as contemplated by the merger agreement shall create any implication to the contrary.

First Interstate incorporates by reference into this document the documents listed below and any additional documents that it may file with the SEC between the date of this document and the date of the IIBK special meeting. These documents include periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (other than information furnished under Items 2.02 or 7.01 of Form 8-K), as well as proxy statements.

FIRST INTERSTATE FILINGS (FILE NO 001-34653)

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Filings	Period of Report or Date Filed
Annual Report on Form 10-K	Year ended December 31, 2017
Quarterly Report on Form 10-Q	Three Months Ended March 31, 2018, June 30, 2018 and September 30, 2018

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Filings	Period of Report or Date Filed
Current Reports on Form 8-K	January 23, 2018, January 30, 2018, March 8, 2018, March 15, 2018, April 5, 2018, April 25, 2018, April 26, 2018, April 27, 2018, May 4, 2018, August 1, 2018, August 9, 2018, August 15, 2018, August 17, 2018, October 11, 2018, October 25, 2018, October 30, 2018, January 31, 2019 (other than portions of those documents not deemed to be filed)

Documents incorporated by reference are available from First Interstate without charge (except for exhibits to the documents unless the exhibits are specifically incorporated in this document by reference). You may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from the appropriate company at the following address:

First Interstate BancSystem, Inc.

401 North 31st Street

Billings, Montana 59101

Attention: Kirk D. Jensen, General Counsel

Telephone: (406) 255-5304

If you would like to request documents from First Interstate, please do so by March 20, 2019 to receive them before the IIBK special meeting. If you request any incorporated documents, First Interstate will mail them to you by first-class mail, or other equally prompt means, within one business day of its receipt of your request.

Neither First Interstate nor IIBK has authorized anyone to give any information or make any representation about the merger or the companies that is different from, or in addition to, that contained in this document or in any of the materials that have been incorporated in this document. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by document or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

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ANNEX A

AGREEMENT AND PLAN OF MERGER

DATED AS OF OCTOBER 11, 2018

BY AND AMONG

FIRST INTERSTATE BANCSYSTEM, INC.

FIRST INTERSTATE BANK

AND

IDAHO INDEPENDENT BANK

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EXHIBITS

Exhibit A	Form of Idaho Independent Bank Voting Agreement
Exhibit B	Form of Idaho Independent Bank Non-Competition and Non-Solicitation Agreement

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Agreement and Plan of Merger

This is an **Agreement and Plan of Merger**, dated as of the 11th day of October, 2018, by and among First Interstate BancSystem, Inc., a Montana-chartered corporation (**Purchaser**), First Interstate Bank, a Montana-chartered bank (**Purchaser Bank**), and Idaho Independent Bank, an Idaho-chartered bank (**IIBK**).

Introductory Statement

The Boards of Directors of each of Purchaser, Purchaser Bank and IIBK have determined that this Agreement and the business combination and related transactions contemplated hereby are advisable and in the best interests of Purchaser, Purchaser Bank and IIBK, as the case may be, and in the best interests of their respective stockholders.

The parties hereto intend that the Merger (as defined herein) shall qualify as a reorganization under the provisions of Section 368(a) of the IRC (as defined herein) for federal income tax purposes and that this Agreement be and is hereby adopted as a plan of reorganization within the meaning of Sections 354 and 361 of the IRC.

Purchaser, Purchaser Bank and IIBK each desire to make certain representations, warranties and agreements in connection with the business combination and related transactions provided for herein and to prescribe various conditions to such transactions.

As a condition and inducement to Purchaser's and Purchaser Bank's willingness to enter into this Agreement, each IIBK Executive Officer and each member of the Board of Directors of IIBK and certain shareholders of IIBK has entered into an agreement dated as of the date hereof in the form of Exhibit A, pursuant to which he, she or it will vote his, her or its shares of IIBK Common Stock in favor of this Agreement and the transactions contemplated hereby (each, a **Voting Agreement**).

As a further condition and inducement to Purchaser's and Purchaser Bank's willingness to enter into this Agreement, each executive officer and member of the Board of Directors of IIBK has entered into an agreement dated as of the date hereof in the form of Exhibit B, pursuant to which he or she will agree to certain non-competition and non-solicitation provisions (each, a **Non-Competition and Non-Solicitation Agreement**).

In consideration of their mutual promises and obligations hereunder, the parties hereto adopt and make this Agreement and prescribe the terms and conditions hereof and the manner and basis of carrying it into effect, which shall be as follows:

ARTICLE I

DEFINITIONS

The following terms are defined in this Agreement in the Section indicated:

Defined Term	Location of Definition
Articles of Merger	Section 2.3
Change of Recommendation	Section 5.8(b)
Closing	Section 2.2
Closing Date	Section 2.2

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Continuing Employee	Section 5.11(a)
Disclosure Letter	Section 3.1(a)
Dissenting Shares	Section 2.6
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Defined Term	Location of Definition
Exchange Agent	Section 2.7(a)
Exchange Ratio	Section 2.5(a)
Final Index Price	Section 7.1(h)
IIBK	Preamble
IIBK Benefit Plans	Section 3.2(r)(i)
IIBK Contract	Section 3.2(o)(i)
IIBK Equity Plans	Section 2.11
IIBK ERISA Affiliate	Section 3.2(r)(i)
IIBK Executive Officer	Preamble
IIBK Intellectual Property	Section 3.2(p)(i)
IIBK IT Systems	Section 3.2(p)(ii)
IIBK Qualified Plans	Section 3.2(r)(iv)
IIBK Stock Option	Section 2.11
IIBK Stockholder Meeting	Section 5.8(a)
Index Price	Section 7.1(h)
Index Ratio	Section 7.1(h)
Letter of Transmittal	Section 2.7(a)
Merger	Section 2.1
Merger Consideration	Section 2.5(a)
Multiemployer Plan	Section 3.2(r)(vii)
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Non-Competition and Non-Solicitation Agreement	Preamble
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Purchaser	Preamble
Purchaser Bank	Preamble
Purchaser Benefit Plans	Section 3.3(r)(i)
Purchaser Contract	Section 3.3(p)(i)
Purchaser ERISA Affiliate	Section 3.3(r)(i)
Purchaser Intellectual Property	Section 3.3(cc)(i)
Purchaser IT Systems	Section 3.3(cc)(ii)
Purchaser Qualified Plans	Section 3.3(r)(iii)
Purchaser Reports	Section 3.3(h)
Sandler O'Neill	Section 3.2(t)
Starting Date	Section 7.1(h)
Starting Price	Section 7.1(h)
Surviving Bank	Section 2.1
Voting Agreement	Preamble
WARN Act	Section 5.11(j)
For purposes of this Agreement:	

Acquisition Proposal means any proposal or offer, whether or not in writing, with respect to any of the following (other than the transactions contemplated hereunder): (i) any merger, consolidation, share exchange, business combination, or other similar transaction or series of transactions involving IIBK or any of its Subsidiaries; (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 20% or more of IIBK's consolidated assets in a

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single transaction or series of transactions; (iii) any tender offer or exchange offer for 20% or more of the outstanding shares of IIBK's capital stock or the filing of a registration statement under the Securities Act in connection therewith; (iv) any transaction that is similar in form, substance or purpose to

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any of the foregoing transactions, or any combination of the foregoing; or (v) any public announcement, notice or regulatory filing of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

Affiliate of a Person means any person that, directly or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with such Person.

Agreement means this Agreement and the exhibits and schedules hereto, each as amended, modified or restated from time to time in accordance with its terms.

Average Closing Price means the average closing price of Purchaser Common Stock as reported on The Nasdaq Stock Market, LLC (as reported at www.nasdaq.com) for the twenty (20) consecutive trading days ending on and including the Determination Date.

Business Day means any day other than a Saturday, Sunday or federal holiday.

Certificate means certificates or book entry shares evidencing shares of IIBK Common Stock held by its stockholders.

CRA means the Community Reinvestment Act.

Determination Date shall mean fifth day prior to the Closing Date, provided that if shares of the Purchaser Common Stock are not actually traded on The Nasdaq Stock Market, LLC on such day, the Determination Date shall be the immediately preceding day to the fifth day prior to the Closing Date on which shares of Purchaser Common Stock actually trade on The Nasdaq Stock Market, LLC.

Environmental Law means any federal, state or local law, statute, ordinance, rule, code, order or regulation relating to (i) the protection, preservation or restoration of the environment (which includes, without limitation, air, water vapor, surface water, groundwater, drinking water supply, soil, surface land, subsurface land, plant and animal life or any other natural resource), or to human health or safety as it relates to Hazardous Materials, or (ii) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of, Hazardous Materials, in each case as amended and as now in effect. The term Environmental Law includes, without limitation, the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Occupational Safety and Health Act of 1970 as it relates to Hazardous Materials, each as amended and as now in effect.

ERISA means the Employee Retirement Income Security Act of 1974, as amended.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Excluded Shares means Dissenting Shares and shares of IIBK Common Stock owned or held (including as treasury shares), other than in a bona fide fiduciary or agency capacity or in satisfaction of a debt previously contracted, by Purchaser, IIBK or a Subsidiary of either.

FDIC means the Federal Deposit Insurance Corporation.

Federal Reserve means the Board of Governors of the Federal Reserve System.

FHLB means the Federal Home Loan Bank of Des Moines.

GAAP means U.S. generally accepted accounting principles.

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Governmental Entity means any governmental or regulatory authority, agency, court, commission, or other administrative entity.

Hazardous Material means any substance (whether solid, liquid or gas) that is detrimental to human health or safety or to the environment, currently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law, whether by type or by quantity, including any substance containing any such substance as a component. Hazardous Material includes, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance, oil or petroleum, or any derivative or by-product thereof, radon, radioactive material, asbestos, asbestos-containing material, urea formaldehyde foam insulation, lead and polychlorinated biphenyl.

IBA means the Idaho Bank Act.

IDF means the Idaho Department of Finance.

IIBK 401(k) Plan means the Idaho Independent Bank 401(k) Retirement Trust.

IIBK Common Stock means the common stock, \$5.00 par value per share, of IIBK.

IIBK Executive Officer means Jack W. Gustavel, Kurt R. Gustavel and Paul H. Montreuil.

IRC means the Internal Revenue Code of 1986, as amended.

IRS means the Internal Revenue Service.

Knowledge means, with respect to Purchaser and Purchaser Bank, the actual Knowledge of those senior officers set forth in Purchaser's and Purchaser Bank's Disclosure Letter and, with respect to IIBK, the actual Knowledge of those senior officers set forth in IIBK's Disclosure Letter.

Lien means any charge, mortgage, pledge, security interest, claim, lien or encumbrance.

Loan means a loan, lease, advance, credit enhancement, guarantee, participation interest in a loan, or other extension of credit.

Loan Property means any property in which the applicable party (or a subsidiary of it) holds a security interest and, where required by the context, includes the owner or operator of such property, but only with respect to such property.

Material Adverse Effect means an effect, circumstance, occurrence or change that is material and adverse to the business, financial condition or results of operations of IIBK or Purchaser, as the context may dictate, and its Subsidiaries, taken as a whole, or materially prevents, impairs or threatens the ability of either IIBK, on the one hand, or Purchaser or Purchaser Bank, on the other hand, as the context may dictate, to perform its obligations under this Agreement or consummate the transactions contemplated by this Agreement; *provided, however*, that any such effect, circumstance, occurrence or change resulting from any (i) changes, after the date hereof, in laws, rules or regulations or GAAP or regulatory accounting requirements or interpretations thereof that apply to financial and/or depository institutions and/or their holding companies generally, (ii) changes, after the date hereof, in economic conditions affecting financial institutions generally, including but not limited to, changes in the general level of market interest rates, (iii) actions and omissions of Purchaser, Purchaser Bank or IIBK required under this Agreement or taken or omitted to be taken with the prior written consent, or at the request, of the other, including expenses incurred by the

parties in consummating the transactions contemplated by this Agreement, (iv) worsening of national or international political or social conditions including the

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engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon or within the United States, (v) natural disaster or other force majeure event, and (vi) any failure, in and of itself, to meet internal or other estimates, predictions, projections or forecasts of revenue, net income or any other measure of financial performance (except to the extent that, with respect to this clause (vi), the facts or circumstances giving rise or contributing to failure to meet estimates or projections may be deemed to constitute, or be taken into account in determining whether there has been, a Material Adverse Effect, except to the extent such facts or circumstances are themselves excepted from the definition of Material Adverse Effect pursuant to any other clause of this definition) shall not be considered in determining if a Material Adverse Effect has occurred except, with respect to clauses (i), (ii), (iv) and (v), to the extent that the effects of such change uniquely affects such party and its Subsidiaries as compared to comparable U.S. banking organizations.

MBA means the Montana Bank Act.

MDOB means the Montana Division of Banking and Financial Institutions.

Option Payment Amount equals the Average Closing Price multiplied by the Exchange Ratio rounded to the nearest cent.

Participation Facility means any facility in which the applicable party (or a Subsidiary of it) participates in the management (including all property held as trustee or in any other fiduciary capacity) and, where required by the context, includes the owner or operator of such property, but only with respect to such property.

Person means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization or other entity.

Purchaser 401(k) Plan means the First Interstate Bank 401(k) Plan.

Purchaser Common Stock means the Class A common stock, no par value per share, of Purchaser.

Registration Statement means a registration statement on Form S-4 (and any amendments or supplements thereto) with respect to the issuance of Purchaser Common Stock in the Merger.

SEC means the U.S. Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended.

Subsidiary means a corporation, partnership, joint venture or other entity in which IIBK, Purchaser or Purchaser Bank, as the case may be, has, directly or indirectly, an equity interest representing 50% or more of any class of the capital stock thereof or other equity interests therein.

Superior Proposal means an unsolicited, bona fide written offer or proposal made by a third party to consummate an Acquisition Proposal that: (i) IIBK's Board of Directors determines in good faith, after consulting with its outside legal counsel and its financial advisor, would, if consummated, result in a transaction that is more favorable to the stockholders of IIBK than the transactions contemplated hereby (taking into account all factors relating to such proposed transaction deemed relevant by IIBK's Board of Directors, including without limitation, the amount and form of consideration, the timing of payment, the risk of consummation of the transaction, the financing thereof and all other conditions thereto (including any adjustments to the terms and conditions of such transactions proposed by

Purchaser and Purchaser Bank in response to such Acquisition Proposal)); (ii) is for 100% of the outstanding shares of IIBK Common Stock or all or substantially all of the assets of IIBK; and (iii) is reasonably likely to be completed on the terms proposed, in each case taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal.

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Taxes means all income, franchise, gross receipts, real and personal property, real property transfer and gains, wage and employment taxes.

ARTICLE II

THE MERGER

2.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, IIBK will merge with and into Purchaser Bank (the **Merger**) at the Effective Time. At the Effective Time, the separate corporate existence of IIBK shall cease. Purchaser Bank shall be the surviving entity (hereinafter sometimes referred to in such capacity as the **Surviving Bank**) in the Merger and shall continue to be governed by the MBA and its name and separate existence, with all of its rights, privileges, immunities, powers and franchises, shall continue unaffected by the Merger.

2.2 Closing. The closing of the Merger (the **Closing**) will take place by the electronic (PDF), facsimile or overnight courier exchange of executed documents or at a location and at a time as agreed to by the parties hereto on the date designated by Purchaser within fifteen (15) days following satisfaction or waiver (subject to applicable law) of the conditions to Closing set forth in Article VI (other than those conditions that by their nature are to be satisfied at the Closing), or such later date as the parties may otherwise agree (the **Closing Date**).

2.3 Effective Time. In connection with the Closing, Purchaser Bank and IIBK shall duly execute and deliver articles of merger (and such other documents as required by law) to the MDOB and the IDF, to the extent required by the relevant provision of the MBA and the IBA, respectively (collectively, the **Articles of Merger**). The Merger shall become effective at such time as the Articles of Merger are duly filed with and endorsed by the MDOB or at such later date or time as Purchaser Bank and IIBK agree and specify in the Articles of Merger (the date and time the Merger becomes effective being the **Effective Time**).

2.4 Effects of the Merger. The Merger will have the effects set forth in this Agreement, in the MBA and the IBA. Without limiting the generality of the foregoing, and subject thereto, from and after the Effective Time, Purchaser Bank shall possess all of the properties, rights, privileges, powers and franchises of IIBK and be subject to all of the debts, liabilities and obligations of IIBK. Additionally, all assets, rights, interests, privileges, powers, franchises and property (real, personal and mixed) of IIBK shall be automatically transferred to and vested in the Surviving Bank by virtue of the Merger without any deed or other document of transfer. At the Effective Time, each deposit account holder of Purchaser Bank or of IIBK immediately prior to the Effective Time shall become a depositor of the Surviving Bank. The main banking office of the Surviving Bank shall be 401 North 31st Street, Billings, Montana. The branch offices of Purchaser Bank and the branch offices of IIBK that are in lawful operation prior to at the Effective Time shall be, and shall be operated as, branch offices of the Surviving Bank.

2.5 Effect on Outstanding Shares of IIBK Common Stock.

(a) By virtue of the Merger, automatically and without any action on the part of the holder thereof, each share of IIBK Common Stock issued and outstanding at the Effective Time, other than Excluded Shares, shall become and be converted into the right to receive 0.50 shares (the **Exchange Ratio**) of Purchaser Common Stock (the **Merger Consideration**).

(b) Notwithstanding any other provision of this Agreement, no fraction of a share of Purchaser Common Stock and no certificates or scrip therefor will be issued in the Merger; instead, Purchaser shall pay to each holder of IIBK Common Stock who would otherwise be entitled to a fraction of a share of Purchaser Common Stock an amount in

cash, rounded to the nearest cent, determined by multiplying such fraction by the Average Closing Price.

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(c) If, between the date of this Agreement and the Effective Time, the outstanding shares of Purchaser Common Stock or any other authorized capital stock of the Purchaser shall have been changed into a different number of shares or into a different class by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination, or exchange of shares, or there shall be any extraordinary dividend or distribution paid, the Exchange Ratio shall be adjusted appropriately to provide the holders of IIBK Common Stock the same economic effect as contemplated by this Agreement prior to such event.

(d) As of the Effective Time, except for Dissenting Shares, each Excluded Share shall be canceled and retired and shall cease to exist, and no exchange or payment shall be made with respect thereto. All shares of Purchaser Common Stock that are held by IIBK, if any, other than shares held in a fiduciary capacity or in satisfaction of a debt previously contracted, shall be canceled and shall constitute authorized but unissued shares.

2.6 Dissenter s Rights. Each outstanding share of IIBK Common Stock, the holder of which has perfected the right to dissent under the IBA and has not effectively withdrawn or lost such right as of the Effective Time (the **Dissenting Shares**) shall not be converted into or represent the right to receive the Merger Consideration hereunder and shall be entitled only to such rights as are available to such holder pursuant to the applicable provisions of the IBA. Each holder of a Dissenting Share shall be entitled to receive the value of such Dissenting Share held by him in accordance with the applicable provisions of the IBA; *provided*, that such holder complies with the procedures contemplated by and set forth in the applicable provisions of the IBA. If any holder of any Dissenting Share shall effectively withdraw or lose such holder s dissenter s rights under the applicable provisions of the IBA, each such Dissenting Share shall be exchangeable for the right to receive the Merger Consideration.

2.7 Exchange Procedures.

(a) At or prior to the Effective Time, Purchaser shall deposit, or shall cause to be deposited, with American Stock Transfer & Trust Co. (the **Exchange Agent**), pursuant to an agreement entered into prior to the Closing, for the benefit of the holders of record of shares of IIBK Common Stock converted into the right to receive the Merger Consideration, for exchange in accordance with this *Section 2.7*, (i) the number of shares of Purchaser Common Stock sufficient to deliver the aggregate Merger Consideration and (ii) any cash payable in lieu of fractional shares pursuant to *Section 2.5(b)*, and Purchaser shall instruct the Exchange Agent to timely deliver the Merger Consideration. Appropriate transmittal materials (**Letter of Transmittal**) shall be mailed as soon as practicable after the Effective Time to each holder of record of IIBK Common Stock. A Letter of Transmittal will be deemed properly completed only if the completed Letter of Transmittal is accompanied by one or more Certificates representing IIBK Common Stock (or customary affidavits and, if required by Purchaser pursuant to *Section 2.7(h)*, indemnification regarding the loss or destruction of such Certificates or the guaranteed delivery of such Certificates) representing all shares of IIBK Common Stock to be converted thereby.

(b) At and after the Effective Time, each Certificate shall represent only the right to receive the Merger Consideration, and as to Dissenting Shares, shall represent only the right to receive applicable payments as set forth in *Section 2.6*. IIBK shall provide to the Exchange Agent all information reasonably necessary for it to perform its obligations as specified herein.

(c) The Letter of Transmittal shall (i) specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent, (ii) be in a form and contain any other provisions as Purchaser may reasonably determine and (iii) include instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. Upon the proper surrender of the Certificates to the Exchange Agent, together with a properly completed and duly executed Letter of Transmittal, the holder of such Certificates shall be entitled to receive in exchange therefor a certificate, or, at the election of Purchaser, a statement

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reflecting shares issued in book entry form, representing that number of whole shares of Purchaser Common Stock that such holder has the right to receive pursuant to *Section 2.5(a)* and a check in the amount equal to any cash in lieu of fractional shares such holder is entitled to pursuant to

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Section 2.5(b) and any dividends or other distributions to which such holder is entitled. Certificates so surrendered shall forthwith be canceled. As soon as practicable following receipt of the properly completed Letter of Transmittal and any necessary accompanying documentation, the Exchange Agent shall distribute Purchaser Common Stock and cash in lieu of fractional shares as provided herein. The Exchange Agent shall not be entitled to vote or exercise any rights of ownership with respect to the shares of Purchaser Common Stock held by it from time to time hereunder, except that it shall receive and hold all dividends or other distributions paid or distributed with respect to such shares for the account of the Persons entitled thereto. If there is a transfer of ownership of any shares of IIBK Common Stock not registered in the transfer records of IIBK, the Merger Consideration shall be issued to the transferee thereof if the Certificates representing such IIBK Common Stock are presented to the Exchange Agent, accompanied by all documents required, in the reasonable judgment of Purchaser and the Exchange Agent, to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

(d) No dividends or other distributions declared or made after the Effective Time with respect to Purchaser Common Stock issued pursuant to this Agreement shall be remitted to any Person entitled to receive shares of Purchaser Common Stock hereunder until such Person surrenders his or her Certificates in accordance with this *Section 2.7*. Upon the surrender of such Person's Certificates, such Person shall be entitled to receive any dividends or other distributions, without interest thereon, which subsequent to the Effective Time had become payable but not paid with respect to shares of Purchaser Common Stock represented by such Person's Certificates.

(e) The stock transfer books of IIBK shall be closed immediately upon the Effective Time and from and after the Effective Time there shall be no transfers on the stock transfer records of IIBK of any shares of IIBK Common Stock. If, after the Effective Time, Certificates are presented to Purchaser, they shall be canceled and exchanged for the Merger Consideration deliverable in respect thereof pursuant to this Agreement in accordance with the procedures set forth in this *Section 2.7*.

(f) Any portion of the aggregate amount of cash to be paid in lieu of fractions of a share pursuant to *Section 2.5*, any dividends or other distributions to be paid pursuant to this *Section 2.7* or any proceeds from any investments thereof that remains unclaimed by the holders of IIBK Common Stock for six months after the Effective Time shall be repaid by the Exchange Agent to Purchaser upon the written request of Purchaser. After such request is made, each holder of IIBK Common Stock who has not theretofore complied with this *Section 2.7* shall look only to Purchaser for the Merger Consideration deliverable in respect of each share of IIBK Common Stock such stockholder holds, as determined pursuant to *Section 2.5* of this Agreement, without any interest thereon. Notwithstanding the foregoing, neither the Exchange Agent nor any party to this Agreement (or any Affiliate thereof) shall be liable to any former holder of IIBK Common Stock for any amount delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(g) Purchaser and the Exchange Agent shall be entitled to rely upon IIBK's stock transfer books to establish the identity of those Persons entitled to receive the Merger Consideration, which books shall be conclusive with respect thereto. IIBK shall provide to the Exchange Agent all information reasonably necessary for it to perform its obligations as specified herein. In the event of a dispute with respect to ownership of stock represented by any Certificate, Purchaser and the Exchange Agent shall be entitled to deposit any Merger Consideration represented thereby in escrow with an independent third party and thereafter be relieved with respect to any claims thereto.

(h) If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and the posting by such Person of a bond in such amount as the Exchange Agent may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration deliverable in respect thereof pursuant to *Section 2.5*.

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2.8 Effect on Outstanding Shares of Purchaser and Purchaser Bank Common Stock. At the Effective Time, and except as provided in *Section 2.5(d)*, each share of Purchaser Common Stock and each share of Purchaser Bank Common Stock issued and outstanding immediately prior to the Effective Time shall remain an issued and outstanding share of common stock of the Purchaser and Purchaser Bank, respectively, and shall not be affected by the Merger.

2.9 Directors of Surviving Bank After Effective Time. Immediately after the Effective Time, until their respective successors are duly elected or appointed and qualified, the directors of the Surviving Bank shall consist of the directors of Purchaser Bank serving immediately prior to the Effective Time.

2.10 Articles of Incorporation and Bylaws. The articles of incorporation of Purchaser Bank, as in effect immediately prior to the Effective Time, shall be the articles of incorporation of the Surviving Bank until thereafter amended in accordance with applicable law and the terms thereof. The bylaws of Purchaser Bank, as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Bank until thereafter amended in accordance with applicable law and the terms of such bylaws.

2.11 Treatment of Stock Options. At the Effective Time, each option to acquire shares of IIBK Common Stock that is outstanding and unexercised immediately prior thereto (**IIBK Stock Option**) pursuant to the Idaho Independent Bank 2004 Long-Term Equity Incentive Plan and Idaho Independent Bank 2016 Long-Term Equity Incentive Plan (together, the **IIBK Equity Plans**) shall automatically become vested and shall be cancelled and, subject to Purchaser's receipt of an option surrender agreement in the form set forth in the Purchaser's Disclosure Letter, converted into the right to receive a cash payment in an amount, less required withholding taxes, equal to the product of (i) the number of shares of IIBK Common Stock subject to IIBK Stock Option, multiplied by (ii) the amount by which the Option Payment Amount exceeds the exercise price of such IIBK Stock Option. If the exercise price of a IIBK Stock Option is greater than the Option Payment Amount, then at the Effective Time such IIBK Stock Option shall be cancelled without any payment made in exchange therefor. Such cash payment shall be made by wire transfer of immediately available funds on the Closing Date.

2.12 Alternative Structure. Notwithstanding anything to the contrary contained in this Agreement, prior to the Effective Time, Purchaser or Purchaser Bank may specify that the structure of the transactions contemplated by this Agreement be revised and the parties shall enter into such alternative transactions as Purchaser or Purchaser Bank may reasonably determine to effect the purposes of this Agreement; *provided, however*, that such revised structure shall not (i) alter or change the amount or kind of the Merger Consideration, (ii) materially impede or delay consummation of the transactions contemplated by this Agreement, or (iii) adversely limit or impact the qualification of the Merger as a reorganization under the provisions of Section 368(a) of the IRC. In the event that Purchaser or Purchaser Bank elects to make such a revision, the parties agree to execute appropriate documents to reflect the revised structure.

2.13 Absence of Control. It is the intent of the parties hereto that Purchaser and Purchaser Bank by reason of this Agreement shall not be deemed (until consummation of the transactions contemplated hereby) to control, directly or indirectly, IIBK or to exercise, directly or indirectly, a controlling influence over the management or policies of IIBK.

2.14 Additional Actions. If, at any time after the Effective Time, Purchaser or Purchaser Bank shall consider or be advised that any further deeds, assignments or assurances in law or any other acts are necessary or desirable to (i) vest, perfect or confirm, of record or otherwise, in Purchaser or Purchaser Bank its right, title or interest in, to or under any of the rights, properties or assets of IIBK or (ii) otherwise carry out the purposes of this Agreement, IIBK and its officers and directors shall be deemed to have granted to Purchaser and Purchaser Bank an irrevocable power of attorney to execute and deliver, in such official corporate capacities, all such deeds, assignments or assurances in law or any other acts as are necessary or desirable to (a) vest, perfect or confirm, of record or otherwise, in Purchaser or

Purchaser Bank its right, title or interest in, to or under any of the rights, properties or assets of IIBK or (b) otherwise carry out the purposes of this Agreement, and the officers and

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directors of Purchaser or Purchaser Bank are authorized in the name of IIBK or otherwise to take any and all such action.

2.15 Withholding. Purchaser or the Exchange Agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement or the transactions contemplated hereby to any holder of IIBK Common Stock such amounts as Purchaser (or any Affiliate thereof) or the Exchange Agent are required to deduct and withhold with respect to the making of such payment under the IRC, or any applicable provision of U.S. federal, state, local or non-U.S. tax law. To the extent that such amounts are properly withheld by Purchaser or the Exchange Agent, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the holder of IIBK Common Stock in respect of whom such deduction and withholding were made by Purchaser or the Exchange Agent.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.1 Disclosure Letters; Standard.

(a) Prior to the execution and delivery of this Agreement, Purchaser and Purchaser Bank, on the one hand, and IIBK, on the other hand, have each delivered to the other a letter (each, its **Disclosure Letter**) setting forth, among other things, facts, circumstances and events the disclosure of which is required or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more of their respective representations and warranties contained in *Section 3.2* or *Section 3.3*, as applicable, or to one or more of its covenants contained in Articles IV or V (and making specific reference to the Section of this Agreement to which they relate). Disclosure in any paragraph of the Disclosure Letter shall apply only to the indicated Section of this Agreement except to the extent that it is reasonably clear on the face of such disclosure (notwithstanding the absence of a specific cross reference) that it is relevant to another paragraph of the Disclosure Letter or another Section of this Agreement.

(b) No representation or warranty of IIBK, Purchaser or Purchaser Bank contained in *Sections 3.2* or *3.3*, as applicable (other than (i) the representations and warranties contained in *Sections 3.2(c)* and *3.3(c)*, which shall be true in all respects, and (ii) the representations and warranties contained in *Sections 3.2(a)*, *3.2(d)*, *3.2(e)(i)* and *(ii)*, *3.2(j)*, *3.2(u)*, *3.2(x)*, *3.3(a)*, *3.3(d)*, *3.3(e)(i)* and *(ii)*, *3.3(k)* and *3.3(u)*, which shall be true in all material respects) will be deemed untrue or incorrect, and no party will be deemed to have breached a representation or warranty, as a consequence of the existence of any fact, event or circumstance unless such fact, event or circumstance, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in *Sections 3.2* or *3.3*, has had or is reasonably likely to have a Material Adverse Effect with respect to IIBK, Purchaser or Purchaser Bank, as the case may be (it being understood that, except with respect to *Section 3.2(j)*, for purposes of determining the accuracy of such representations and warranties, all Material Adverse Effect qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded).

3.2 Representations and Warranties of IIBK. Except (i) as disclosed in IIBK's Disclosure Letter, and (ii) for information and documents commonly known as confidential supervisory information that is prohibited from disclosure (and as to which nothing in this Agreement shall require disclosure), IIBK represents and warrants to Purchaser and Purchaser Bank that:

(a) *Organization and Qualification.* IIBK is an Idaho-chartered commercial bank. IIBK has all requisite corporate power and authority to own, lease and operate its properties and to conduct the business currently being conducted by it. IIBK is duly qualified or licensed and is in good standing in each jurisdiction in which the character of the

properties owned or leased by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed and in good

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standing would not have a Material Adverse Effect on IIBK. IIBK's deposits are insured by the FDIC through the Deposit Insurance Fund to the fullest extent permitted by law. IIBK is a member in good standing of the FHLB and owns the requisite amount of stock therein.

(b) *Subsidiaries.*

(i) IIBK's Disclosure Letter sets forth with respect to each of IIBK's direct and indirect Subsidiaries its name, its jurisdiction of incorporation, IIBK's percentage ownership, the number of shares of stock or other equity interests owned or controlled by IIBK and the name and number of shares held by any other person who owns any stock of the Subsidiary. IIBK owns, directly or indirectly, all of the issued and outstanding shares of capital stock or other equity interests of each of its Subsidiaries, free and clear of any Liens. There are no contracts, commitments, agreements or understandings relating to IIBK's right to vote or dispose of any equity securities of its Subsidiaries. IIBK's ownership interest in each of its Subsidiaries is in compliance with all applicable laws, rules and regulations relating to equity investments by Idaho-chartered commercial banks.

(ii) Each of IIBK's Subsidiaries is a corporation or limited liability company duly organized and validly existing under the laws of its jurisdiction of incorporation, has all requisite corporate power and authority to own, lease and operate its properties and to conduct the business currently being conducted by it and is duly qualified or licensed as a foreign corporation to transact business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed and in good standing would not have a Material Adverse Effect on IIBK.

(iii) The outstanding shares of capital stock of each Subsidiary have been validly authorized and are validly issued, fully paid and nonassessable. No shares of capital stock of any Subsidiary of IIBK are or may be required to be issued by virtue of any options, warrants or other rights, no securities exist that are convertible into or exchangeable for shares of such capital stock or any other debt or equity security of any Subsidiary, and there are no contracts, commitments, agreements or understandings of any kind for the issuance of additional shares of capital stock or other debt or equity security of any Subsidiary or options, warrants or other rights with respect to such securities.

(c) *Capital Structure.*

(i) The authorized capital stock of IIBK consists of 20,000,000 shares of IIBK Common Stock and 10,000,000 shares of preferred stock, \$0.10 par value per share.

(ii) As of the date of this Agreement:

(A) 7,739,024 shares of IIBK Common Stock are issued and outstanding, all of which are validly issued, fully paid and nonassessable and were issued in full compliance with all applicable laws and not in violation of any preemptive rights;

(B) no shares of IIBK preferred stock are issued and outstanding; and

(C) 351,580 shares of IIBK Common Stock are reserved for issuance pursuant to outstanding IIBK Stock Options (including exercisable and unexercisable IIBK Stock Options).

(iii) Set forth in IIBK's Disclosure Letter is a complete and accurate list of all outstanding IIBK Stock Options, including the names of the optionees, dates of grant, exercise prices, dates of vesting, dates of termination, shares

subject to each grant and whether stock appreciation, limited or other similar rights were granted in connection with such options.

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(iv) No bonds, debentures, notes or other indebtedness having the right to vote on any matters on which stockholders of IIBK may vote are issued or outstanding.

(v) Except as set forth in this *Section 3.2(c)*, as of the date of this Agreement, (A) no shares of capital stock or other voting securities of IIBK are issued, reserved for issuance or outstanding, and (B) other than IIBK Stock Options, neither IIBK nor any of its Subsidiaries has or is bound by any outstanding subscriptions, options, warrants, calls, rights, convertible securities, commitments or agreements of any character obligating IIBK or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, any additional shares of capital stock of IIBK (including any rights plan or agreement) or obligating IIBK or any of its Subsidiaries to grant, extend or enter into any such option, warrant, call, right, convertible security, commitment or agreement. Neither IIBK nor any of its Subsidiaries has or is bound by any rights of any character relating to the purchase, sale, issuance or voting of, or right to receive dividends or other distributions on shares of IIBK Common Stock, or any other security of IIBK or a Subsidiary of IIBK or any securities representing the right to vote, purchase or otherwise receive any shares of IIBK Common Stock or any other security of IIBK or a Subsidiary of IIBK. Other than as stated herein, there are no outstanding securities or instruments that contain any redemption or similar provisions, and there are no outstanding contractual obligations of IIBK or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of IIBK or any of its Subsidiaries.

(vi) Other than the Voting Agreements and as set forth in IIBK's Disclosure Letter, there are no voting trusts, shareholder agreements, proxies or similar agreements to which IIBK or any of its Subsidiaries is a party in effect with respect to the voting or transfer of IIBK Common Stock or other voting securities or equity interests of IIBK or granting any shareholder or other person any registration rights. IIBK does not have in effect a poison pill or similar shareholder rights plan.

(d) *Authority.* IIBK has all requisite corporate power and authority to enter into this Agreement, to perform its obligations hereunder and, subject to the consents, approvals and filings set forth in *Section 3.2(f)*, to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate actions on the part of IIBK's Board of Directors, and no other corporate proceedings on the part of IIBK are necessary to authorize this Agreement or to consummate the transactions contemplated by this Agreement other than the approval and adoption of this Agreement by the affirmative vote of the holders of a majority of the outstanding shares of IIBK Common Stock. IIBK's Board of Directors has determined that this Agreement is advisable and has directed that this Agreement be submitted to IIBK's stockholders for approval and adoption and has unanimously adopted a resolution to the foregoing effect and recommend that the stockholders approve and adopt this Agreement. This Agreement has been duly and validly executed and delivered by IIBK and constitutes a valid and binding obligation of IIBK, enforceable against IIBK in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally and to general principles of equity, whether applied in a court of law or a court of equity.

(e) *No Violations.* The execution, delivery and performance of this Agreement by IIBK do not, and the consummation of the transactions contemplated by this Agreement will not, (i) assuming that the consents, approvals and filings referred to in *Section 3.2(f)* have been obtained and the applicable waiting periods have expired, violate any law, rule or regulation or any judgment, decree, order, governmental permit or license to which IIBK or any of its Subsidiaries (or any of their respective properties) is subject, (ii) violate the articles of incorporation or bylaws of IIBK or the similar organizational documents of any of its Subsidiaries or (iii) constitute a breach or violation of, or a default under (or an event that, with due notice or lapse of time or both, would constitute a default under), or result in the termination of, accelerate the performance required by, or result in the creation of any Lien upon any of the properties or assets of IIBK or any of its Subsidiaries under, any of the terms, conditions or provisions of any note,

bond, indenture, deed of trust, loan agreement or other agreement, instrument or obligation to which IIBK or any of its Subsidiaries is a party, or to which any of their respective properties or assets may be subject.

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(f) *Consents and Approvals.* Except for (i) filings of applications and notices with, receipt of approvals or no objections from, and the expiration of related waiting periods required by, federal and state banking authorities, including filings and notices with the Federal Reserve, FDIC, the MDOB and the IDF, (ii) the filing with the SEC of a Proxy Statement-Prospectus in definitive form relating to the meeting of IIBK's stockholders to be held in connection with this Agreement and the transactions contemplated hereby and of the Registration Statement in which such proxy statement will be included as a prospectus, and declaration of effectiveness of the Registration Statement, (iii) the filing of the Articles of Merger with the MDOB pursuant to the MBA and with the IDF pursuant to the IBA, (iv) filing with The Nasdaq Stock Market LLC of a notification or application of the listing of the shares of Purchaser Common Stock to be issued in the Merger, (v) such filings and approvals as are required to be made or obtained under the securities or Blue Sky laws of various states in connection with the issuance of shares of Purchaser Common Stock pursuant to this Agreement, and (vi) the approval by IIBK's stockholders required to approve the Merger under Idaho law, no consents or approvals of, or filings or registrations with, any Governmental Entity or any third party are required to be made or obtained by IIBK in connection with the execution and delivery by IIBK of this Agreement or the consummation by IIBK of the Merger and the other transactions contemplated by this Agreement. As of the date hereof, IIBK has no knowledge of any reason pertaining to IIBK why any of the approvals referred to in this Section 3.2(f) should not be obtained without the imposition of any material condition or restriction described in Section 6.2(e).

(g) *Governmental Filings.* IIBK and each of its Subsidiaries has filed all reports, schedules, registration statements and other documents that it has been required to file since June 30, 2015 with the FDIC and IDF or any other applicable Governmental Entity. As of their respective dates, each of such filings complied in all material respects with all laws or regulations under which it was filed (or was amended so as to be in compliance promptly following discovery of such noncompliance).

(h) *Financial Statements.* IIBK has previously made available to Purchaser copies of (i) the consolidated statements of financial condition of IIBK and its Subsidiaries as of December 31, 2017 and 2016 and related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2017, together with the notes thereto, accompanied by the audit report of IIBK's independent registered public accounting firm and (ii) the released unaudited interim consolidated financial results of IIBK as of and for the three and six months ended June 30, 2018 and related consolidated statements of income, for the three and six months ended June 30, 2018. The audited consolidated financial statements were prepared from the books and records of IIBK and its Subsidiaries, fairly present the consolidated financial position of IIBK and its Subsidiaries in each case at and as of the dates indicated and the consolidated results of operations and cash flows of IIBK and its Subsidiaries for the periods indicated, and, except as otherwise set forth in the notes thereto, were prepared in accordance with GAAP consistently applied throughout the periods covered thereby. The books and records of IIBK and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other legal and accounting requirements and reflect only actual transactions.

(i) *Undisclosed Liabilities.* Neither IIBK nor any of its Subsidiaries has incurred any debt, liability or obligation of any nature whatsoever (whether accrued, contingent, absolute or otherwise and whether due or to become due) other than liabilities reflected on or reserved against in the consolidated statement of financial condition of IIBK as of June 30, 2018, except for (i) liabilities incurred since June 30, 2018 in the ordinary course of business consistent with past practice that, either alone or when combined with all similar liabilities, have not had, and would not reasonably be expected to have, a Material Adverse Effect on IIBK and (ii) liabilities incurred for legal, accounting, financial advising fees and out-of-pocket or other expenses or fees in connection with the transactions contemplated by this Agreement.

(j) *Absence of Certain Changes or Events.*

(i) Except as set forth in IIBK's Disclosure Letter, since June 30, 2018, IIBK and its Subsidiaries have conducted their respective businesses only in the ordinary and usual course of such businesses

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consistent with their past practices and there has not been any event or occurrence that has had, or is reasonably expected to have, a Material Adverse Effect on IIBK.

(ii) Except as set forth in IIBK's Disclosure Letter, since June 30, 2018, none of IIBK or any of its Subsidiaries have taken any action that would be prohibited by clauses (b)(i), (c), (d), (e), (h), (j), (k), (n), (o) or (p) of *Section 4.1* if taken after the date hereof.

(k) *Litigation.* There are no material suits, actions or legal, administrative or arbitration proceedings pending or, to the Knowledge of IIBK, threatened against or affecting IIBK or any of its Subsidiaries or any property or asset of IIBK or any of its Subsidiaries that (i) are seeking damages or declaratory relief against IIBK or any of its Subsidiaries or (ii) challenge the validity or propriety of the transactions contemplated by this Agreement. There are no judgments, decrees, injunctions, orders or rulings of any Governmental Entity or arbitrator outstanding against IIBK or any of its Subsidiaries or the assets of IIBK or any of its Subsidiaries (or that, upon consummation of the Merger, would apply to Purchaser or any of its Subsidiaries). Since June 30, 2015, (i) there have been no subpoenas, written demands, or document requests received by and in direct regard to IIBK or any of its Subsidiaries from any Governmental Entity and (ii) no Governmental Entity has requested that IIBK or any of its Subsidiaries enter into a settlement, negotiation or tolling agreement with respect to any matter related to any such subpoena, written demand, or document request.

(l) *Absence of Regulatory Actions.* Since June 30, 2015, neither IIBK nor any of its Subsidiaries has been a party to any cease and desist order, written agreement or memorandum of understanding with, or any commitment letter or similar undertaking to, or has been subject to any action, proceeding, order or directive by any Governmental Entity, or has adopted any board resolutions relating to such matters as are material to the business of IIBK or its Subsidiaries at the request of any Governmental Entity, or has been advised by any Governmental Entity that it is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such action, proceeding, order, directive, written agreement, memorandum of understanding, commitment letter, board resolutions or similar undertaking. To the Knowledge of IIBK, there are no material unresolved violations, criticisms or exceptions by any Governmental Entity with respect to any report or statement relating to any examinations of IIBK or its Subsidiaries.

(m) *Compliance with Laws.* To the Knowledge of IIBK, IIBK and each of its Subsidiaries has complied in all material respects with and is not in material default or violation under any applicable law, statute, order, rule, regulation, policy and/or guideline of any Governmental Entity relating to IIBK or any of its Subsidiaries, including without limitation all laws related to data protection or privacy, the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the Fair Credit Reporting Act, the Truth in Lending Act and Regulation Z, the Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act and Regulation E, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, the SAFE Mortgage Licensing Act of 2008, Regulation O, the Real Estate Settlement Procedures Act and Regulation X, and any other law relating to bank secrecy, discriminatory lending, financing or leasing practices, money laundering prevention, Sections 23A and 23B of the Federal Reserve Act, the Sarbanes-Oxley Act, and all agency requirements relating to the origination, sale and servicing of mortgage and consumer loans. IIBK and each of its Subsidiaries has all material permits, licenses, certificates of authority, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Entities that are required in order to permit it to carry on its business as it is presently conducted. All such permits, licenses, certificates of authority, orders and approvals are in full force and effect, and no suspension or cancellation of any of them is, to the Knowledge of IIBK, threatened. Neither IIBK nor any of its Subsidiaries has been given notice or been charged with any violation of, any law, ordinance, regulation, order, writ, rule, decree or condition to approval of any Governmental Entity that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on IIBK.

(n) *Taxes.* All federal, state, local and foreign tax returns required to be filed by or on behalf of IIBK or any of its Subsidiaries have been timely filed or requests for extensions have been timely filed and any such

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extension shall have been granted and not have expired, and all such filed returns are complete and accurate in all material respects. All Taxes shown on such returns, all Taxes required to be shown on returns for which extensions have been granted and all other Taxes required to be paid by IIBK or any of its Subsidiaries have been paid in full or adequate provision has been made for any such Taxes on IIBK's statement of financial condition (in accordance with GAAP). To the Knowledge of IIBK, there is no audit examination, deficiency assessment, tax investigation or refund litigation with respect to any Taxes of IIBK or any of its Subsidiaries, and no claim has been made in writing by any authority in a jurisdiction where IIBK or any of its Subsidiaries do not file tax returns that IIBK or any such Subsidiary is subject to taxation in that jurisdiction. All Taxes, interest, additions and penalties due with respect to completed and settled examinations or concluded litigation relating to IIBK or any of its Subsidiaries have been paid in full or adequate provision has been made for any such Taxes on IIBK's statement of financial condition (in accordance with GAAP). IIBK and its Subsidiaries have not executed an extension or waiver of any statute of limitations on the assessment or collection of any tax due that is currently in effect. IIBK and each of its Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party, and IIBK and each of its Subsidiaries has timely complied with all applicable information reporting requirements under Part III, Subchapter A of Chapter 61 of the IRC and similar applicable state and local information reporting requirements. Neither IIBK nor any of its Subsidiaries has made any payments and is not a party to any agreement, and does not maintain any plan, program or arrangement, which could require it to make any payments that would not be fully deductible by reason of Section 162(m) of the IRC.

(o) *Agreements.*

(i) IIBK has previously delivered to Purchaser, and IIBK's Disclosure Letter lists, any material contract, arrangement, commitment or understanding (whether written or oral) to which IIBK or any of its Subsidiaries is a party or is bound:

(A) (1) with any director, officer or employee of IIBK or any of its Subsidiaries the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving IIBK or any of its Subsidiaries of the nature contemplated by this Agreement; (2) with respect to the employment of any directors, officers, employees or consultants; or (3) any of the benefits of which will be increased, or the vesting or payment of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement, or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement (including any stock option plan, phantom stock or stock appreciation rights plan, restricted stock plan or stock purchase plan);

(B) that (1) contains a non-compete or client, customer or employee non-solicit requirement or any other provision that restricts the conduct of, or the manner of conducting, any line of business of IIBK or any of its Subsidiaries (or, following the consummation of the transactions contemplated hereby, Purchaser, Purchaser Bank or any of their Subsidiaries), (2) obligates IIBK or any of its Affiliates (or, following the consummation of the transactions contemplated hereby, Purchaser, Purchaser Bank or any of their Subsidiaries) to conduct business with any third party on an exclusive or preferential basis, or (3) requires referrals of business or requires IIBK or any of its Subsidiaries to make available investment opportunities to any person on a priority or exclusive basis;

(C) pursuant to which IIBK or any of its Subsidiaries may become obligated to invest in or contribute capital to any entity;

(D) that relates to borrowings of money (or guarantees thereof) by IIBK or any of its Subsidiaries in excess of \$100,000, other than FHLB borrowings and repurchase agreements with customers entered into in the ordinary course

of business;

(E) that grants any right of first refusal, right of first offer or similar right with respect to any material assets, rights or properties of IIBK or any of its Subsidiaries;

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- (F) that limits the payment of dividends by IIBK or any of its Subsidiaries;
- (G) that relates to the involvement of IIBK or any Subsidiary in a joint venture, partnership, limited liability company agreement or other similar agreement or arrangement, or to the formation, creation or operation, management or control of any partnership or joint venture with any third parties;
- (H) that relates to an acquisition, divestiture, merger or similar transaction and that contains representations, covenants, indemnities or other obligations (including indemnification, earn-out or other contingent obligations) that are still in effect;
- (I) that is a lease or license with respect to any property, real or personal, whether as landlord, tenant, licensor or licensee, involving a liability or obligation as obligor in excess of \$100,000 per annum;
- (J) that is a consulting agreement or data processing, software programming or licensing contract involving the payment of more than \$100,000 per annum; or
- (K) that is not of the type described in clauses (A) through (J) above and that involved payments by, or to, IIBK or any of its Subsidiaries in the fiscal year ended December 31, 2017, or that could reasonably be expected to involve such payments during the fiscal year ending December 31, 2018, of more than \$100,000 (excluding Loans) or the termination of which would require payment by IIBK or any of its Subsidiaries in excess of \$100,000.

Each contract, arrangement, commitment or understanding of the type described in this *Section 3.2(o)*, whether or not set forth in IIBK's Disclosure Letter, is referred to herein as a **IIBK Contract**, and neither IIBK nor any of its Subsidiaries knows of, or has received notice of, any material violation of the above by any of the other parties thereto.

(ii) Each IIBK Contract is valid and binding on IIBK or one of its Subsidiaries, as applicable, and in full force and effect, except as, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on IIBK. IIBK and each of its Subsidiaries has in all material respects performed all obligations required to be performed by it under each IIBK Contract. To IIBK's Knowledge, each third-party counterparty to each IIBK Contract has in all material respects performed all obligations required to be performed by it under such IIBK Contract, and no event or condition exists that constitutes or, after notice or lapse of time or both, will constitute, a material default on the part of IIBK or any of its Subsidiaries under any such IIBK Contract.

(iii) Neither IIBK nor any of its Subsidiaries is in default under (and no event has occurred that with due notice or lapse of time or both, would constitute a default under) or is in material violation of any provision of any note, bond, indenture, mortgage, deed of trust, loan agreement, lease or other agreement to which it is a party or by which it is bound or to which any of its respective properties or assets is subject and, to the Knowledge of IIBK, no other party to any such agreement (excluding any Loan or extension of credit made by IIBK or any of its Subsidiaries) is in default in any respect thereunder.

(p) *Intellectual Property; IIBK IT Systems.*

(i) IIBK and each of its Subsidiaries owns or possesses valid and binding licenses and other rights to use (in the manner and the geographic areas in which they are currently used) without payment all patents, copyrights, trade secrets, trade names, service marks and trademarks material to its business. IIBK's Disclosure Letter sets forth a complete and correct list of all material trademarks, trade names, service marks and copyrights owned by or licensed to IIBK or any of its Subsidiaries for use in its business, and all licenses and other agreements relating thereto and all

agreements relating to third party intellectual property that IIBK or any

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of its Subsidiaries is licensed or authorized to use in its business, including without limitation any software licenses but excluding any so-called shrink-wrap license agreements and other similar computer software licensed in the ordinary course of business and/or otherwise resident on desktop computers (collectively, the **IIBK Intellectual Property**). With respect to each item of IIBK Intellectual Property owned by IIBK or any of its Subsidiaries, the owner possesses all right, title and interest in and to the item, free and clear of any Lien. With respect to each item of IIBK Intellectual Property that IIBK or any of its Subsidiaries is licensed or authorized to use, the license, sublicense or agreement covering such item is legal, valid, binding, enforceable and in full force and effect as to IIBK and its Subsidiaries. Neither IIBK nor any of its Subsidiaries has received any charge, complaint, claim, demand or notice alleging any interference, infringement, misappropriation or violation with or of any intellectual property rights of a third party (including any claims that IIBK or any of its Subsidiaries must license or refrain from using any intellectual property rights of a third party). To the Knowledge of IIBK, neither IIBK nor any of its Subsidiaries has interfered with, infringed upon, misappropriated or otherwise come into conflict with any intellectual property rights of third parties and no third party has interfered with, infringed upon, misappropriated or otherwise come into conflict with any intellectual property rights of IIBK or any of its Subsidiaries.

(ii) To IIBK's Knowledge, all information technology and computer systems (including software, information technology and telecommunication hardware and other equipment) relating to the transmission, storage, maintenance, organization, presentation, generation, processing or analysis of data and information, whether or not in electronic format, used in or necessary to the conduct of the business of IIBK or any of its Subsidiaries (collectively, the **IIBK IT Systems**) have been properly maintained by technically competent personnel, in accordance with standards set by the manufacturers or otherwise in accordance with standards in the industry, to ensure proper operation, monitoring and use. IIBK IT Systems are in good working condition to effectively perform all information technology operations necessary to conduct IIBK's consolidated business as currently conducted. Neither IIBK nor any of its Subsidiaries has experienced within the past two years any material disruption to, or material interruption in, the conduct of its business attributable to a defect, bug, breakdown or other failure or deficiency of IIBK IT Systems. No Person has gained unauthorized access to any of IIBK IT Systems that has had, or is reasonably expected to have, a Material Adverse Effect on IIBK. IIBK and its Subsidiaries have taken reasonable measures to provide for the back-up and recovery of the data and information necessary to the conduct of their businesses without material disruption to, or material interruption in, the conduct of their respective businesses. IIBK and its Subsidiaries are in compliance in all material respects with all data protection and privacy laws and regulations as well as their own policies relating to data protection and the privacy and security of personal data and the non-public personal information of their respective customers and employees, except for immaterial failures to comply or immaterial violations.

(q) *Labor Matters.*

(i) IIBK and its Subsidiaries are in material compliance with all applicable laws respecting employment, retention of independent contractors, employment practices, terms and conditions of employment, and wages and hours. Neither IIBK nor any of its Subsidiaries is or has ever been a party to, or is or has ever been bound by, any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization with respect to its employees, nor is IIBK or any of its Subsidiaries the subject of any proceeding asserting that it has committed an unfair labor practice or seeking to compel it or any such Subsidiary to bargain with any labor organization as to wages and conditions of employment nor, to the Knowledge of IIBK, has any such proceeding been threatened, nor is there any strike, other labor dispute or organizational effort involving IIBK or any of its Subsidiaries pending or, to the Knowledge of IIBK, threatened.

(ii) IIBK's Disclosure Letter identifies (A) all present employees (including any leased or temporary employees) of IIBK and its Subsidiaries and any consultants or independent contractors providing services to IIBK or any of its Subsidiaries; (B) each employee's, consultant's or independent contractor's date of hire and current rate of

compensation; and (C) each employee's accrued vacation, sick leave or personal leave if applicable. IIBK's Disclosure Letter also names any employee who is absent from work due to a leave of absence

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(including, but not limited to, in accordance with the requirements of the Family and Medical Leave Act or the Uniformed Services Employment and Reemployment Rights Act) or a work-related injury, or who is receiving workers' compensation or disability compensation. There are no unpaid wages, bonuses or commissions owed to any employee (other than those not yet due).

(r) *Employee Benefit Plans.*

(i) IIBK's Disclosure Letter lists all IIBK Benefit Plans. For purposes of this Agreement, **IIBK Benefit Plans** mean all employee benefit plans (as defined in Section 3(3) of ERISA), whether or not subject to ERISA, whether funded or unfunded, and all pension, benefit, retirement, bonus, stock option, stock purchase, restricted stock, stock-based, performance award, phantom equity, incentive, deferred compensation, retiree medical or life insurance, supplemental retirement, severance, retention, employment, consulting, termination, change in control, salary continuation, accrued leave, sick leave, vacation, paid time off, health, medical, disability, life, accidental death and dismemberment, insurance, welfare, fringe benefit and other similar plans, programs, policies, practices or arrangements or other contracts or agreements (and any amendments thereto) with respect to which IIBK or any Subsidiary or any trade or business of IIBK or any of its Subsidiaries, whether or not incorporated, all of which together with IIBK would be deemed a single employer within the meaning of Section 4001 of ERISA (a **IIBK ERISA Affiliate**), is a party or has any current or future obligation or that are sponsored, maintained, contributed to or required to be contributed to by IIBK or any of its Subsidiaries or any IIBK ERISA Affiliate for the benefit of any current or former employee, officer, director, consultant or independent contractor (or any spouse or dependent of such individual) of IIBK or any of its Subsidiaries or any IIBK ERISA Affiliate.

(ii) IIBK has heretofore made available to Purchaser and Purchaser Bank true, correct and complete copies of the following documents with respect to each of the IIBK Benefit Plans, to the extent applicable, (i) all plans and trust agreements, (ii) all summary plan descriptions, amendments, modifications or material supplements to any IIBK Benefit Plan, (iii) where any IIBK Benefit Plan has not been reduced to writing, a written summary of all the material plan terms, (iv) the annual report (Form 5500), if any, filed with the IRS for the last three (3) plan years and summary annual reports, with schedules and financial statements attached, (v) the most recently received IRS determination letter, if any, relating to any IIBK Benefit Plan, (vi) the most recently prepared actuarial report for each IIBK Benefit Plan (if applicable) for each of the last three (3) years and (vii) copies of material notices, letters or other correspondence with the IRS, U.S. Department of Labor (the **DOL**) or Pension Benefit Guarantee Corporation (the **PBGC**).

(iii) Each IIBK Benefit Plan has been established, operated and administered in all material respects in accordance with its terms and the requirements of all applicable laws, including ERISA and the IRC. Neither IIBK nor any of its Subsidiaries has taken any action to take corrective action or made a filing under any voluntary correction program of the IRS, the DOL or any other Governmental Entity with respect to any IIBK Benefit Plan, and neither IIBK nor any of its Subsidiaries has any Knowledge of any plan defect that would qualify for correction under any such program.

(iv) IIBK's Disclosure Letter identifies each IIBK Benefit Plan that is intended to be qualified under Section 401(a) of the IRC (the **IIBK Qualified Plans**). The IRS has issued a favorable determination letter with respect to each IIBK Qualified Plan and the related trust, which letter has not been revoked (nor has revocation been threatened), and, to the Knowledge of IIBK, there are no existing circumstances and no events have occurred that could adversely affect the qualified status of any IIBK Qualified Plan or the exempt status of the related trust or increase the costs relating thereto. No trust funding any IIBK Benefit Plan is intended to meet the requirements of Section 501(c)(9) of the IRC.

(v) Each IIBK Benefit Plan that is subject to Section 409A of the IRC has been administered and documented in compliance with the requirements of Section 409A of the IRC, except where any non-compliance has not and cannot

reasonably be expected to result in material liability to IIBK or any of its Subsidiaries or any employee of IIBK or any of its Subsidiaries.

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(vi) With respect to each IIBK Benefit Plan that is subject to Title IV or Section 302 of ERISA or Sections 412, 430 or 4971 of the IRC: (i) no such plan is in "at-risk" status for purposes of Section 430 of the IRC, (ii) the present value of accrued benefits under such IIBK Benefit Plan, based upon the actuarial assumptions used for funding purposes in the most recent actuarial report prepared by such IIBK Benefit Plan's actuary with respect to such IIBK Benefit Plan, did not, as of its latest valuation date, exceed the then current fair market value of the assets of such IIBK Benefit Plan allocable to such accrued benefits, (iii) no reportable event within the meaning of Section 4043(c) of ERISA for which the 30-day notice requirement has not been waived has occurred, (iv) all premiums to the PBGC have been timely paid in full, (v) no liability (other than for premiums to the PBGC) under Title IV of ERISA has been or is expected to be incurred by IIBK or any of its Subsidiaries, and (vi) the PBGC has not instituted proceedings to terminate any such IIBK Benefit Plan.

(vii) None of IIBK, its Subsidiaries nor any IIBK ERISA Affiliate has, at any time during the last six years, contributed to or been obligated to contribute to any plan that is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA (a "**Multiemployer Plan**") or a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA (a "**Multiple Employer Plan**"), and none of IIBK and its Subsidiaries nor any IIBK ERISA Affiliate has incurred any liability to a Multiemployer Plan or Multiple Employer Plan as a result of a complete or partial withdrawal (as those terms are defined in Part 1 of Subtitle E of Title IV of ERISA) from a Multiemployer Plan or Multiple Employer Plan.

(viii) Neither IIBK nor any of its Subsidiaries sponsors has sponsored or has any obligation with respect to any employee benefit plan that provides for any post-employment or post-retirement health or medical or life insurance benefits for retired, former or current employees or beneficiaries or dependents thereof, except as required by Section 4980B of the IRC.

(ix) All contributions required to be made to any IIBK Benefit Plan by applicable law or by any plan document or other contractual undertaking, and all premiums due or payable with respect to insurance policies funding any IIBK Benefit Plan, for any period through the date hereof, have been timely made or paid in full or, to the extent not required to be made or paid on or before the date hereof, have been fully reflected on the books and records of IIBK.

(x) There are no pending or threatened claims (other than claims for benefits in the ordinary course), lawsuits or arbitrations that have been asserted or instituted, and, to IIBK's Knowledge, no set of circumstances exists that may reasonably be expected to give rise to a claim or lawsuit, against IIBK Benefit Plans, any fiduciaries thereof with respect to their duties to IIBK Benefit Plans or the assets of any of the trusts under any of IIBK Benefit Plans, that could reasonably be expected to result in any material liability of IIBK or any of its Subsidiaries to the PBGC, the IRS, the DOL, any Multiemployer Plan, a Multiple Employer Plan, any participant in any IIBK Benefit Plan, or any other party.

(xi) To the Knowledge of IIBK, none of IIBK and its Subsidiaries nor any IIBK ERISA Affiliate nor any other person, including any fiduciary, has engaged in any "prohibited transaction" (as defined in Section 4975 of the IRC or Section 406 of ERISA) that could subject any of IIBK Benefit Plans or their related trusts, IIBK, any of its Subsidiaries, any IIBK ERISA Affiliate or any Person that IIBK or any of its Subsidiaries has an obligation to indemnify, to any material tax or penalty imposed under Section 4975 of the IRC or Section 502 of ERISA.

(xii) Except as set forth in IIBK's Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (either alone or in conjunction with any other event) result in, cause the vesting, exercisability or delivery of, or increase in the amount or value of, any payment, compensation (including stock or stock-based), right or other benefit to any employee, officer, director, independent contractor, consultant or other service provider of IIBK or any of its Subsidiaries, or result in any limitation on the right of IIBK

or any of its Subsidiaries to amend, merge, terminate or receive a reversion

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of assets from any IIBK Benefit Plan or related trust. Without limiting the generality of the foregoing, no amount paid or payable (whether in cash, in property, or in the form of benefits) by IIBK or any of its Subsidiaries in connection with the transactions contemplated hereby (either solely as a result thereof or as a result of such transactions in conjunction with any other event) will be an excess parachute payment within the meaning of Section 280G of the IRC.

(xiii) Neither IIBK nor any of its Subsidiaries maintains or contributes to a rabbi trust or similar funding vehicle, and the transactions contemplated by this Agreement will not cause or require IIBK or any of its Affiliates to establish or make any contribution to a rabbi trust or similar funding vehicle.

(xiv) No IIBK Benefit Plan provides for the gross-up or reimbursement of Taxes under Section 409A or 4999 of the IRC, or otherwise. IIBK's Disclosure Letter includes true, correct and complete copies of Section 280G calculations (whether or not final) with respect to any disqualified individual in connection with the transactions contemplated hereby.

(xv) There are no pending or, to IIBK's Knowledge, threatened material labor grievances or material unfair labor practice claims or charges against IIBK or any of its Subsidiaries, or any strikes or other material labor disputes against IIBK or any of its Subsidiaries. Neither IIBK nor any of its Subsidiaries are party to or bound by any collective bargaining or similar agreement with any labor organization, or work rules or practices agreed to with any labor organization or employee association applicable to employees of IIBK or any of its Subsidiaries and, to the Knowledge of IIBK, there are no organizing efforts by any union or other group seeking to represent any employees of IIBK or any of its Subsidiaries and no employees of IIBK or any of its Subsidiaries are represented by any labor organization.

(s) Properties.

(i) A list of all real property owned or leased by IIBK or a Subsidiary of IIBK is set forth in IIBK's Disclosure Letter. IIBK and each of its Subsidiaries has good and marketable title to all real property owned by it (including any property acquired in a judicial foreclosure proceeding or by way of a deed in lieu of foreclosure or similar transfer), in each case free and clear of any Liens except (i) liens for Taxes not yet due and payable and (ii) such easements, restrictions and encumbrances, if any, as are not material in character, amount or extent, and do not materially detract from the value, or materially interfere with the present use of the properties subject thereto or affected thereby. Each lease pursuant to which IIBK or any of its Subsidiaries as lessee, leases real or personal property is valid and in full force and effect as to IIBK and the Subsidiaries and neither IIBK nor any of its Subsidiaries, nor, to IIBK's Knowledge, any other party to any such lease, is in default or in violation of any material provisions of any such lease. IIBK has previously delivered to Purchaser and Purchaser Bank a complete and correct copy of each such lease. All real property owned or leased by IIBK or any of its Subsidiaries are in all material respects in a good state of maintenance and repair (normal wear and tear excepted), conform in all material respects with all applicable ordinances, regulations and zoning laws and are considered by IIBK to be adequate for the current business of IIBK and its Subsidiaries. To the Knowledge of IIBK, none of the buildings, structures or other improvements located on any real property owned or leased by IIBK or any of its Subsidiaries encroaches upon or over any adjoining parcel or real estate or any easement or right-of-way.

(ii) IIBK and each of its Subsidiaries has good and marketable title to all tangible personal property owned by it, free and clear of all Liens except such Liens, if any, that are not material in character, amount or extent, and that do not materially detract from the value, or materially interfere with the present use of the properties subject thereto or affected thereby. With respect to personal property used in the business of IIBK and its Subsidiaries that is leased rather than owned, neither IIBK nor any of its Subsidiaries is in default under the terms of any such lease.

(t) *Fairness Opinion.* The board of directors of IIBK has received the opinion (which, if initially rendered verbally, has been or will be confirmed by a written opinion, dated the same date) of Sandler O'Neill &

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Partners, L.P. (**Sandler O Neill**) to the effect that, as of the date of such opinion and subject to the assumptions, limitations and qualifications set forth therein, the Exchange Ratio in the Merger is fair, from a financial point of view, to the holders of IIBK Common Stock.

(u) *Fees.* Other than for financial advisory services performed for IIBK by Sandler O Neill pursuant to an agreement executed September 6, 2018, a true and complete copy of which is included in IIBK's Disclosure Letter, neither IIBK nor any of its Subsidiaries, nor any of their respective officers, directors, employees or agents, has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder's fees, and no broker or finder has acted directly or indirectly for IIBK or any of its Subsidiaries in connection with this Agreement or the transactions contemplated hereby.

(v) *Environmental Matters.*

(i) Each of IIBK's and its Subsidiaries' properties, the Participation Facilities, and, to the Knowledge of IIBK, the Loan Properties are, and have been during the period of IIBK's or its Subsidiaries' ownership or operation thereof, in material compliance with all Environmental Laws.

(ii) There is no suit, claim, action, demand, executive or administrative order, directive, investigation or proceeding pending or, to the Knowledge of IIBK, threatened, before any court or Governmental Entity against IIBK or any of its Subsidiaries or any Participation Facility (A) for alleged noncompliance (including by any predecessor) with, or liability under, any Environmental Law or (B) relating to the presence of or release into the environment of any Hazardous Material, whether or not occurring at or on a site owned, leased or operated by IIBK or any of its Subsidiaries or any Participation Facility.

(iii) There is no suit, claim, action, demand, executive or administrative order, directive, investigation or proceeding pending or threatened before any court or, to the Knowledge of IIBK, Governmental Entity relating to or against any Loan Property (or IIBK or any of its Subsidiaries in respect of such Loan Property) (A) relating to alleged noncompliance (including by any predecessor) with, or liability under, any Environmental Law or (B) relating to the presence of or release into the environment of any Hazardous Material, whether or not occurring at a Loan Property.

(iv) Neither IIBK nor any of its Subsidiaries has received in writing any notice, demand letter, executive or administrative order, directive or request for information from any Governmental Entity or any third party indicating that it may be in violation of, or liable under, any Environmental Law.

(v) To the Knowledge of IIBK, there are no underground storage tanks at any properties owned or operated by IIBK or any of its Subsidiaries or any Participation Facility. Neither IIBK nor any of its Subsidiaries nor, to the Knowledge of IIBK, any other person or entity, has closed or removed any underground storage tanks from any properties owned or operated by IIBK or any of its Subsidiaries or any Participation Facility.

(vi) During the period of (A) IIBK's or its Subsidiary's ownership or operation of any of their respective current properties or (B) IIBK's or its Subsidiary's participation in the management of any Participation Facility, to the Knowledge of IIBK, there has been no release of Hazardous Materials in, on, under or affecting such properties except for releases of Hazardous Materials in quantities below the level at which they were regulated under any Environmental Law in effect at the time of such release. To the Knowledge of IIBK, prior to the period of (A) IIBK's or its Subsidiary's ownership or operation of any of their respective current properties or (B) IIBK's or its Subsidiary's participation in the management of any Participation Facility, there was no contamination by or release of Hazardous Material in, on, under or affecting such properties except for releases of Hazardous Materials in quantities below the level at which they were regulated under any Environmental Law in effect at the time of such release.

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(w) *Loan Matters.*

(i) All Loans held by IIBK or any of its Subsidiaries were made in all material respects for good, valuable and adequate consideration in the ordinary course of the business, in accordance in all material respects with sound banking practices and, to the Knowledge of IIBK, the Loans are not subject to any defenses, setoffs or counterclaims, including without limitation any such as are afforded by usury or truth in lending laws, except as may be provided by bankruptcy, insolvency or similar laws or by general principles of equity. The notes or other evidences of indebtedness evidencing such Loans and all forms of pledges, mortgages and other collateral documents and security agreements are, in all material respects, enforceable and valid.

(ii) Neither the terms of any Loan, any of the documentation for any Loan, the manner in which any Loans have been administered and serviced, nor IIBK's practices of approving or rejecting Loan applications, violate in any material respect any federal, state, or local law, rule or regulation applicable thereto, including, without limitation, the Truth In Lending Act, Regulations O and Z of the Federal Reserve, the CRA, the Equal Credit Opportunity Act, and any state laws, rules and regulations relating to consumer protection, installment sales and usury.

(iii) The allowance for loan losses reflected in IIBK's audited statement of financial condition at December 31, 2017 was, and the allowance for loan losses shown on the statements of financial condition in IIBK Reports for periods ending after such date, in the opinion of management, were, or will be, adequate, as of the dates thereof, under GAAP.

(iv) None of the agreements pursuant to which IIBK or any of its Subsidiaries has sold Loans or pools of Loans, or participations in Loans, contains any obligation to repurchase such Loans or interests therein solely on account of a payment default by the obligor on any such Loan.

(v) (A) IIBK's Disclosure Letter sets forth a list of all Loans as of the date hereof by IIBK to any directors, executive officers and principal stockholders (as such terms are defined in Regulation O of the Federal Reserve (12 C.F.R. Part 215), as implemented by the FDIC) of IIBK or any of its Subsidiaries, (B) there are no Loans to any employee, officer, director or Affiliate thereof on which the borrower is paying a rate other than that reflected in the note or other relevant credit or security agreement or on which the borrower is paying a rate that was or is not in compliance with Regulation O and (C) all such Loans are and were originated in compliance in all material respects with all applicable laws.

(vi) IIBK's Disclosure Letter sets forth a listing, as of August 31, 2018, by account, of: (A) each borrower, customer or other party that has notified IIBK during the past twelve (12) months of, or has asserted against IIBK, in each case in writing, any lender liability or similar claim, and, to the Knowledge of IIBK, each borrower, customer or other party that has given IIBK any oral notification of, or orally asserted to or against IIBK, any such claim; and (B) all Loans (1) that are contractually past due ninety (90) days or more in the payment of principal and/or interest, (2) that are on non-accrual status, (3) that are classified as Pass 5, Special Mention, Substandard, Doubtful, Loss or worse, or similar import, (4) that are considered troubled debt restructurings or where the interest rate terms have been reduced and/or the maturity dates have been extended subsequent to the origination of the Loan due to concerns regarding the borrower's ability to pay in accordance with the Loan's original terms and (5) where a specific reserve allocation exists in connection therewith; and (C) all other assets classified by IIBK as real estate acquired through foreclosure or in lieu of foreclosure, including in-substance foreclosures, and all other assets currently held that were acquired through foreclosure or in lieu of foreclosure.

(x) *Anti-takeover Provisions Inapplicable.* IIBK and its Subsidiaries have taken all actions required to exempt Purchaser, Purchaser Bank, the Agreement and the Merger from any provisions of an anti-takeover nature contained in their organizational documents, and the provisions of any federal or state anti-takeover, fair price, moratorium, contr

share acquisition or similar laws or regulations.

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(y) *Material Interests of Certain Persons.* Except for deposit and loan relationships entered into in the ordinary course of business, no current or former officer or director of IIBK, or any family member or Affiliate of any such Person, has any material interest, directly or indirectly, in any contract or property (real or personal), tangible or intangible, used in or pertaining to the business of IIBK or any of its Subsidiaries.

(z) *Insurance.* In the opinion of management, IIBK and its Subsidiaries are presently insured for amounts deemed reasonable by management against such risks as companies engaged in a similar business, including engaging in the transactions contemplated by this Agreement, would, in accordance with good business practice, customarily be insured. IIBK's Disclosure Letter contains a list of all policies of insurance carried and owned by IIBK or any of IIBK's Subsidiaries showing the name of the insurance company and agent, the nature of the coverage, the policy limit, the annual premiums and the expiration date. All of the insurance policies and bonds maintained by IIBK and its Subsidiaries are in full force and effect, IIBK and its Subsidiaries are not in default thereunder, all premiums and other payments due under any such policy have been paid. There are presently no material claims pending under such policies of insurance and no notices have been given by IIBK or any of its Subsidiaries under such policies (other than with respect to health or disability insurance).

(aa) *Investment Securities; Derivatives.*

(i) Except for restrictions that exist for securities that are classified as held to maturity, none of the investment securities held by IIBK or any of its Subsidiaries, including but not limited to FHLB stock, is subject to any restriction (contractual or statutory) that would materially impair the ability of the entity holding such investment freely to dispose of such investment at any time.

(ii) Neither IIBK nor any of its Subsidiaries is a party to or has agreed to enter into an exchange-traded or over-the-counter equity, interest rate, foreign exchange or other swap, forward, future, option, cap, floor or collar or any other contract that is a derivative contract (including various combinations thereof) or owns securities that (A) are referred to generically as structured notes, high risk mortgage derivatives, capped floating rate notes or capped floating rate mortgage derivatives or (B) are likely to have changes in value as a result of interest or exchange rate changes that materially exceed normal changes in value attributable to interest or exchange rate changes.

(bb) *Indemnification.* Except as provided in the Articles of Incorporation or bylaws of IIBK and the similar organizational documents of its Subsidiaries, and in employment agreements, change in control agreements and other agreements related to employment or service as a director, officer or employee, neither IIBK nor any of its Subsidiaries is a party to any agreement that provides for the indemnification of any of its present or former directors, officers, employees or stockholders, or other persons who serve or served as a director, officer or employee of another corporation, partnership or other enterprise at the request of IIBK and, to the Knowledge of IIBK, there are no claims for which any such Person would be entitled to indemnification under the Articles of Incorporation or bylaws of IIBK or the similar organizational documents of any of its Subsidiaries, under any applicable law or regulation or under any such employment-related agreement.

(cc) *Corporate Documents and Records.* IIBK has previously provided a complete and correct copy of the Articles of Incorporation, bylaws and similar organizational documents of IIBK and each of IIBK's Subsidiaries, as in effect as of the date of this Agreement. Neither IIBK nor any of IIBK's Subsidiaries is in violation of its Articles of Incorporation, bylaws or similar organizational documents. The minute books of IIBK and each of IIBK's Subsidiaries constitute a complete and correct record of all actions taken by their respective boards of directors (and each committee thereof) and their stockholders.

(dd) *CRA, Anti-Money Laundering, OFAC and Customer Information Security*. IIBK has received a rating of Satisfactory or better in its most recent examination or interim review with respect to the CRA. IIBK does not have Knowledge of any facts or circumstances that would cause IIBK or any Subsidiary of IIBK: (i) to be deemed not to be in satisfactory compliance in any material respect with the CRA, and the regulations

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promulgated thereunder, or to be assigned a rating for CRA purposes by federal bank regulators of lower than

Satisfactory ; or (ii) to be deemed to be operating in violation in any material respect of the Bank Secrecy Act, the USA PATRIOT Act, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control, or any other applicable anti-money laundering statute, rule or regulation; or (iii) to be deemed not to be in satisfactory compliance in any material respect with the applicable privacy of customer information requirements contained in any federal and state privacy laws and regulations, including without limitation, in Title V of the Gramm-Leach-Bliley Act of 1999 and the regulations promulgated thereunder, as well as the provisions of the information security program adopted by IIBK. To the Knowledge of IIBK, no non-public customer information has been disclosed to or accessed by an unauthorized third party in a manner that would cause either IIBK or any of its Subsidiaries to undertake any remedial action. The Board of Directors of IIBK (or, where appropriate, any Subsidiary of IIBK) has adopted, and IIBK (or any Subsidiary of IIBK) has implemented, an anti-money laundering program that contains adequate and appropriate customer identification verification procedures that comply with Section 326 of the USA PATRIOT Act and such anti-money laundering program meets the requirements in all material respects of Section 352 of the USA PATRIOT Act and the regulations thereunder, and IIBK (or any Subsidiary of IIBK) has complied in all material respects with any requirements to file reports and other necessary documents as required by the USA PATRIOT Act and the regulations thereunder.

(ee) *Internal Controls.* IIBK and its Subsidiaries have devised and maintain a system of internal control over financial reporting sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, and (iii) access to assets is permitted only in accordance with management's general or specific authorization. There are no significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect IIBK's ability to record, process, summarize and report financial information. To the Knowledge of IIBK, there has occurred no fraud, whether or not material, that involves management or other employees who have a significant role in IIBK's internal controls over financial reporting.

(ff) *Tax Treatment of the Merger.* IIBK has no Knowledge of any fact or circumstance relating to it that would prevent the transactions contemplated by this Agreement from qualifying as a reorganization under Section 368(a) of the IRC.

(gg) *Related Party Transactions.* IIBK's Disclosure Letter lists all instances in which IIBK or any IIBK Subsidiary is a party to any transaction (including any loan or other credit accommodation) with any Affiliate of IIBK or any IIBK Subsidiary where the amount exceeds \$120,000. All such transactions involving indebtedness (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectability or present other unfavorable features. No loan or credit accommodation to any Affiliate of IIBK or any IIBK Subsidiary is presently in default or, during the three-year period prior to the date of this Agreement, has been in default or has been restructured, modified or extended. Neither IIBK nor any IIBK Subsidiary has been notified that principal or interest with respect to any such loan or other credit accommodation will not be paid when due or that the loan grade classification accorded such loan or credit accommodation is inappropriate.

(hh) *Trust Accounts.* IIBK and each Subsidiary has properly administered all accounts for which it acts as a fiduciary in all material respects, including but not limited to accounts for which it serves as trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws and regulations. Neither IIBK nor any other Subsidiary, nor has any of their respective

directors, officers or employees, committed any breach of trust with respect to any such fiduciary account and the records for each such fiduciary account.

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(ii) *No Other Representations or Warranties.*

(i) Except for the representations and warranties made by IIBK in this *Section 3.2*, neither IIBK nor any other Person makes any express or implied representation or warranty with respect to IIBK, its Subsidiaries, or their respective businesses, operations, assets, liabilities, conditions (financial or otherwise) or prospects, and IIBK hereby disclaims any such other representations or warranties. In particular, without limiting the foregoing disclaimer, neither IIBK nor any other Person makes or has made any representation or warranty to Purchaser or any of its Affiliates or representatives with respect to (A) any financial projection, forecast, estimate, budget or prospective information relating to IIBK, any of its Subsidiaries or their respective businesses, or (B) except for the representations and warranties made by IIBK in this *Section 3.2*, any oral or written information presented to Purchaser or any of its Affiliates or representatives in the course of their due diligence investigation of IIBK, the negotiation of this Agreement or in the course of the transactions contemplated hereby.

(ii) IIBK hereby acknowledges and agrees that neither Purchaser nor any other Person has made or is making any express or implied representation or warranty other than those contained in *Section 3.3*.

3.3 Representations and Warranties of Purchaser and Purchaser Bank. Except (i) as disclosed in Purchaser's and Purchaser Bank's Disclosure Letter, and (ii) for information and documents commonly known as confidential supervisory information that is prohibited from disclosure (and as to which nothing in this Agreement shall require disclosure), Purchaser and Purchaser Bank represent and warrant to IIBK that:

(a) *Organization and Qualification.* Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Montana and is registered with the Federal Reserve as a bank holding company. Purchaser has all requisite corporate power and authority to own, lease and operate its properties and to conduct the business currently being conducted by it. Purchaser is duly qualified or licensed as a foreign corporation to transact business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed and in good standing would not have a Material Adverse Effect on Purchaser. Purchaser engages only in activities, and holds properties only of the types, permitted to financial holding companies by the Bank Holding Company Act of 1956, as amended, and the rules, regulations and interpretations promulgated thereunder.

(b) *Subsidiaries.*

(i) Purchaser owns, directly or indirectly, all of the issued and outstanding shares of capital stock or other equity interests of each of its Subsidiaries free and clear of any Liens. There are no contracts, commitments, agreements or understandings relating to Purchaser's right to vote or dispose of any equity securities of its Subsidiaries. Purchaser's ownership interest in each of its Subsidiaries is in compliance with all applicable laws, rules and regulations relating to equity investments by bank holding companies or Montana-chartered savings banks.

(ii) Each of Purchaser's Subsidiaries is a corporation duly organized and validly existing under the laws of its jurisdiction of incorporation, has all requisite corporate power and authority to own, lease and operate its properties and to conduct the business currently being conducted by it and is duly qualified or licensed as a foreign corporation to transact business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed and in good standing would not have a Material Adverse Effect on the Purchaser.

(iii) The outstanding shares of capital stock of each Subsidiary have been validly authorized and are validly issued, fully paid and nonassessable. No shares of capital stock of any Subsidiary of Purchaser are or

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may be required to be issued by virtue of any options, warrants or other rights, no securities exist that are convertible into or exchangeable for shares of such capital stock or any other debt or equity security of any Subsidiary, and there are no contracts, commitments, agreements or understandings of any kind for the issuance of additional shares of capital stock or other debt or equity security of any Subsidiary or options, warrants or other rights with respect to such securities.

(iv) Purchaser Bank is a Montana-chartered commercial bank. No Subsidiary of Purchaser other than Purchaser Bank is an insured depository institution as defined in the Federal Deposit Insurance Act, as amended, and the applicable regulations thereunder. Purchaser Bank's deposits are insured by the FDIC through the Deposit Insurance Fund to the fullest extent permitted by law. Purchaser Bank is a member in good standing of the FHLB and owns the requisite amount of stock therein.

(c) *Capital Structure.*

(i) The authorized capital stock of Purchaser consists of 100,000,000 shares of Purchaser Common Stock, 100,000,000 shares of Class B common stock, no par value per share, and 100,000 shares of preferred stock, no par value per share.

(ii) As of the October 9, 2018,

(A) 38,109,425 shares of Purchaser Common Stock are issued and outstanding, all of which are validly issued, fully paid and nonassessable and were issued in full compliance with all applicable laws and not in violation of any preemptive rights;

(B) 22,501,994 shares of Class B common stock of Purchaser are issued and outstanding, all of which are validly issued, fully paid and nonassessable and were issued in full compliance with all applicable laws and not in violation of any preemptive rights;

(C) no shares of Purchaser preferred stock are issued and outstanding; and

(D) 345,332 shares of Purchaser Common Stock are reserved for issuance pursuant to outstanding grants or awards under Purchaser's stock-based benefit plans.

(iii) The shares of Purchaser Common Stock to be issued in exchange for shares of IIBK Common Stock upon consummation of the Merger in accordance with this Agreement have been duly authorized and when issued in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable and subject to no preemptive rights.

(iv) No bonds, debentures, notes or other indebtedness having the right to vote on any matters on which stockholders of Purchaser may vote are issued or outstanding.

(v) Except as set forth in this *Section 3.3(c)*, as of the date of this Agreement, (A) no shares of capital stock or other voting securities of Purchaser are issued, reserved for issuance or outstanding, and (B) other than shares of Class B common stock, options to purchase shares of Purchaser Common Stock, neither Purchaser nor any of its Subsidiaries has or is bound by any outstanding subscriptions, options, warrants, calls, rights, convertible securities, commitments or agreements of any character obligating Purchaser or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, any additional shares of capital stock of Purchaser (including any rights plan or agreement) or obligating Purchaser or any of its Subsidiaries to grant, extend or enter into any such option, warrant, call, right,

convertible security, commitment or agreement. Neither Purchaser nor any of its Subsidiaries has or is bound by any rights of any character relating to the purchase, sale or issuance or voting of, or right to receive dividends or other distributions on shares of Purchaser Common Stock, or any other security of Purchaser or a Subsidiary of Purchaser or any securities representing the right to

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vote, purchase or otherwise receive any shares of Purchaser Common Stock or any other security of Purchaser or a Subsidiary of Purchaser. Other than as stated herein, there are no outstanding securities or instruments that contain any redemption or similar provisions, and there are no outstanding contractual obligations of Purchaser or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Purchaser or any of its Subsidiaries.

(d) *Authority.* Purchaser and Purchaser Bank have all requisite corporate power and authority to enter into this Agreement, to perform their obligations hereunder and, subject to the consents, approvals and filings set forth in *Section 3.3(f)*, to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate actions on the part of Purchaser's and Purchaser Bank's Boards of Directors, and no other corporate proceedings on the part of Purchaser or Purchaser Bank are necessary to authorize this Agreement or to consummate the transactions contemplated by this Agreement. Purchaser's Board of Directors has determined that this Agreement is advisable and has unanimously adopted a resolution to the foregoing effect. This Agreement has been approved by Purchaser in its capacity as sole stockholder of Purchaser Bank. This Agreement has been duly and validly executed and delivered by Purchaser and Purchaser Bank and constitutes a valid and binding obligation of Purchaser and Purchaser Bank, enforceable against Purchaser and Purchaser Bank in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally and to general principles of equity, whether applied in a court of law or a court of equity.

(e) *No Violations.* The execution, delivery and performance of this Agreement by Purchaser and Purchaser Bank do not, and the consummation of the transactions contemplated by this Agreement will not, (i) assuming that the consents, approvals and filings referred to in *Section 3.3(f)* have been obtained and the applicable waiting periods have expired, violate any law, rule or regulation or any judgment, decree, order, governmental permit or license to which Purchaser, Purchaser Bank or any of their Subsidiaries (or any of their respective properties) is subject, (ii) violate the articles of incorporation or bylaws of Purchaser or the similar organizational documents of Purchaser Bank or any of their Subsidiaries or (iii) constitute a breach or violation of, or a default under (or an event that, with due notice or lapse of time or both, would constitute a default under), or result in the termination of, accelerate the performance required by, or result in the creation of any Lien upon any of the properties or assets of Purchaser, Purchaser Bank or any of their Subsidiaries under, any of the terms, conditions or provisions of any note, bond, indenture, deed of trust, loan agreement or other agreement, instrument or obligation to which Purchaser, Purchaser Bank or any of their Subsidiaries is a party, or to which any of their respective properties or assets may be subject.

(f) *Consents and Approvals.* Except for (i) filings of applications and notices with, receipt of approvals or no objections from, and the expiration of related waiting periods required by, federal and state banking authorities, including filings and notices with the Federal Reserve, the MDOB and the IDF, (ii) the filing with the SEC of a Proxy Statement-Prospectus in definitive form relating to the meeting of IIBK's stockholders to be held in connection with this Agreement and the transactions contemplated hereby and of the Registration Statement in which such proxy statement will be included as a prospectus, and declaration of effectiveness of the Registration Statement, (iii) the filing of the Articles of Merger with the MDOB pursuant to the MBA and with the IDF pursuant to the IBA, (iv) filing with The Nasdaq Stock Market LLC of a notification or application of the listing of the shares of Purchaser Common Stock to be issued in the Merger, and (v) such filings and approvals as are required to be made or obtained under the securities or Blue Sky laws of various states in connection with the issuance of shares of Purchaser Common Stock pursuant to this Agreement, no consents or approvals of, or filings or registrations with, any Governmental Entity or any third party are required to be made or obtained in connection with the execution and delivery by Purchaser and Purchaser Bank of this Agreement or the consummation by Purchaser or Purchaser Bank of the Merger and the other transactions contemplated by this Agreement. As of the date hereof, Purchaser and Purchaser Bank have no knowledge of any reason pertaining to Purchaser or Purchaser Bank why any of the approvals referred to in this

Section 3.3(f) should not be obtained without the imposition of any material condition or restriction described in *Section 6.2(e)*.

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(g) *Governmental Filings.* Purchaser and each of its Subsidiaries has filed all reports, schedules, registration statements and other documents that it has been required to file since June 30, 2015 with the Federal Reserve, the MDOB or any other Governmental Entity. As of their respective dates, each of such filings complied in all material respects with all laws or regulations under which it was filed (or was amended so as to be in compliance promptly following discovery of such noncompliance).

(h) *Securities Filings.* Purchaser has filed with the SEC all reports, schedules, registration statements, definitive proxy statements and exhibits thereto that it has been required to file under the Securities Act or the Exchange Act since June 30, 2015 (collectively, **Purchaser Reports**). None of Purchaser Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. As of their respective dates of filing with the SEC, all of Purchaser Reports complied in all material respects with the applicable requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder. Each of the financial statements (including, in each case, any notes thereto) of Purchaser included in Purchaser Reports complied as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto.

(i) *Financial Statements.* Purchaser has previously made available to IIBK copies of (i) the consolidated balance sheets of Purchaser and its Subsidiaries as of December 31, 2017 and 2016 and related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2017, together with the notes thereto, accompanied by the audit report of Purchaser's independent registered public accounting firm, as reported in Purchaser's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC and (ii) the unaudited interim consolidated financial statements of Purchaser and its Subsidiaries as of June 30, 2018 and related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for three and six months ended June 30, 2018, together with the notes thereto, filed with the SEC. Such financial statements were prepared from the books and records of Purchaser and its Subsidiaries, fairly present the consolidated financial position of Purchaser and its Subsidiaries in each case at and as of the dates indicated and the consolidated results of operations and cash flows of Purchaser and its Subsidiaries for the periods indicated, and, except as otherwise set forth in the notes thereto, were prepared in accordance with GAAP consistently applied throughout the periods covered thereby. The books and records of Purchaser and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other legal and accounting requirements and reflect only actual transactions.

(j) *Undisclosed Liabilities.* Neither Purchaser nor any of its Subsidiaries has incurred any debt, liability or obligation of any nature whatsoever (whether accrued, contingent, absolute or otherwise and whether due or to become due) other than liabilities reflected on or reserved against in the consolidated balance sheet of Purchaser as of June 30, 2018, except for (i) liabilities incurred since June 30, 2018 in the ordinary course of business consistent with past practice that, either alone or when combined with all similar liabilities, have not had, and would not reasonably be expected to have, a Material Adverse Effect on Purchaser and (ii) liabilities incurred for legal, accounting, financial advising fees and out-of-pocket expenses in connection with the transactions contemplated by this Agreement.

(k) *Absence of Certain Changes or Events.* Since June 30, 2018, Purchaser and its Subsidiaries have conducted their respective businesses only in the ordinary and usual course of such businesses consistent with their past practices and there has not been any event or occurrence that has had, or is reasonably expected to have, a Material Adverse Effect on Purchaser.

(l) *Litigation.* There are no material suits, actions or legal, administrative or arbitration proceedings pending or, to the Knowledge of Purchaser, threatened against or affecting Purchaser or any of its Subsidiaries or any property or

asset of Purchaser or any of its Subsidiaries that (i) are seeking damages or declaratory relief

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against Purchaser or any of its Subsidiaries or (ii) challenge the validity or propriety of the transactions contemplated by this Agreement. There are no judgments, decrees, injunctions, orders or rulings of any Governmental Entity or arbitrator outstanding against Purchaser or any of its Subsidiaries or the assets of Purchaser or any of its Subsidiaries. Since June 30, 2015 (i) there have been no subpoenas, written demands, or document requests received by Purchaser or any of its Subsidiaries from any Governmental Entity and (ii) no Governmental Entity has requested that Purchaser or any of its Subsidiaries enter into a settlement, negotiation or tolling agreement with respect to any matter related to any such subpoena, written demand, or document request.

(m) *Absence of Regulatory Actions.* Since June 30, 2015, neither Purchaser nor any of its Subsidiaries has been a party to any cease and desist order, written agreement or memorandum of understanding with, or any commitment letter or similar undertaking to, or has been subject to any action, proceeding, order or directive by any Governmental Entity, or has adopted any board resolutions relating to such matters as are material to the business of Purchaser or its Subsidiaries at the request of any Governmental Entity, or has been advised by any Governmental Entity that it is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such action, proceeding, order, directive, written agreement, memorandum of understanding, commitment letter, board resolutions or similar undertaking. To the Knowledge of Purchaser, there are no material unresolved violations, criticisms or exceptions by any Governmental Entity with respect to any report or statement relating to any examinations of Purchaser or its Subsidiaries.

(n) *Compliance with Laws.* To the Knowledge of Purchaser, Purchaser and each of its Subsidiaries have complied in all material respects with and are not in material default or violation under any applicable law, statute, order, rule, regulation, policy and/or guideline of any Governmental Entity relating to Purchaser or any of its Subsidiaries, including without limitation all laws related to data protection or privacy, the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the Fair Credit Reporting Act, the Truth in Lending Act and Regulation Z, the Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act and Regulation E, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, the SAFE Mortgage Licensing Act of 2008, Regulation O, the Real Estate Settlement Procedures Act and Regulation X, and any other law relating to bank secrecy, discriminatory lending, financing or leasing practices, money laundering prevention, Sections 23A and 23B of the Federal Reserve Act, the Sarbanes-Oxley Act, and all agency requirements relating to the origination, sale and servicing of mortgage and consumer loans. Purchaser and each of its Subsidiaries has all material permits, licenses, certificates of authority, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Entities that are required in order to permit it to carry on its business as it is presently conducted. All such permits, licenses, certificates of authority, orders and approvals are in full force and effect, and no suspension or cancellation of any of them is, to the Knowledge of Purchaser, threatened. Neither Purchaser nor any of its Subsidiaries has been given notice or been charged with any violation of, any law, ordinance, regulation, order, writ, rule, decree or condition to approval of any Governmental Entity that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Purchaser.

(o) *Taxes.* All federal, state, local and foreign tax returns required to be filed by or on behalf of Purchaser or any of its Subsidiaries have been timely filed or requests for extensions have been timely filed and any such extension shall have been granted and not have expired, and all such filed returns are complete and accurate in all material respects. All Taxes shown on such returns, all Taxes required to be shown on returns for which extensions have been granted and all other Taxes required to be paid by Purchaser or any of its Subsidiaries have been paid in full or adequate provision has been made for any such Taxes on Purchaser's balance sheet (in accordance with GAAP). To the Knowledge of Purchaser, there is no audit examination, deficiency assessment, tax investigation or refund litigation with respect to any Taxes of Purchaser or any of its Subsidiaries, and no claim has been made in writing by any authority in a jurisdiction where Purchaser or any of its Subsidiaries do not file tax returns that Purchaser or any such

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Subsidiary is subject to taxation in that jurisdiction. All Taxes, interest, additions and penalties due with respect to completed and settled examinations or concluded litigation relating to Purchaser or any of its Subsidiaries have been paid in full or adequate

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provision has been made for any such Taxes on Purchaser's balance sheet (in accordance with GAAP). Purchaser and its Subsidiaries have not executed an extension or waiver of any statute of limitations on the assessment or collection of any tax due that is currently in effect. Purchaser and each of its Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party, and Purchaser and each of its Subsidiaries has timely complied with all applicable information reporting requirements under Part III, Subchapter A of Chapter 61 of the IRC and similar applicable state and local information reporting requirements.

(p) *Agreements.*

(i) Each contract, arrangement, commitment or understanding (whether written or oral) that is a material contract (as such term is defined in Item 601(b)(10) of Regulation S-K under the Securities Act) to which Purchaser or any of its Subsidiaries is a party or by which Purchaser or any of its Subsidiaries is bound as of the date hereof has been filed as an exhibit to the most recent Annual Report on Form 10-K filed by Purchaser, or a Quarterly Report on Form 10-Q or Current Report on Form 8-K subsequent thereto (each, a **Purchaser Contract**) and neither Purchaser nor any of its Subsidiaries knows of, or has received notice of, any material violation of the above by any of the other parties thereto.

(ii) Each Purchaser Contract is valid and binding on Purchaser or one of its Subsidiaries, as applicable, and in full force and effect, except as, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Purchaser. Purchaser and each of its Subsidiaries has in all material respects performed all obligations required to be performed by it under each Purchaser Contract. To the Knowledge of Purchaser, each third-party counterparty to each Purchaser Contract has in all material respects performed all obligations required to be performed by it under such Purchaser Contract, and no event or condition exists which constitutes or, after notice or lapse of time or both, will constitute, a material default on the part of Purchaser or any of its Subsidiaries under any such Purchaser Contract.

(q) *Labor Matters.* Purchaser and its Subsidiaries are in material compliance with all applicable laws respecting employment, retention of independent contractors, employment practices, terms and conditions of employment, and wages and hours. Neither Purchaser nor any of its Subsidiaries is or has ever been a party to, or is or has ever been bound by, any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization with respect to its employees, nor is Purchaser or any of its Subsidiaries the subject of any proceeding asserting that it has committed an unfair labor practice or seeking to compel it or any such Subsidiary to bargain with any labor organization as to wages and conditions of employment nor, to the Knowledge of Purchaser, has any such proceeding been threatened, nor is there any strike, other labor dispute or organizational effort involving Purchaser or any of its Subsidiaries pending or, to the Knowledge of Purchaser, threatened.

(r) *Employee Benefit Plans.*

(i) For purposes of this Agreement, **Purchaser Benefit Plans** mean all employee benefit plans (as defined in Section 3(3) ERISA), whether or not subject to ERISA, whether funded or unfunded, and all pension, benefit, retirement, bonus, stock option, stock purchase, restricted stock, stock-based, performance award, phantom equity, incentive, deferred compensation, retiree medical or life insurance, supplemental retirement, severance, accrued leave, sick leave, vacation, paid time off, health, medical, disability, life, accidental death and dismemberment, insurance, welfare, fringe benefit and other similar plans, programs, policies, practices or arrangements or other contracts or agreements (and any amendments thereto) with respect to which Purchaser or any Subsidiary or any trade or business of Purchaser or any of its Subsidiaries, whether or not incorporated, all of which together with Purchaser would be deemed a single employer within the meaning of Section 4001 of ERISA (a **Purchaser ERISA Affiliate**), is a party

or that are sponsored, maintained, contributed to or required to be contributed to by Purchaser or any of its Subsidiaries or any Purchaser ERISA Affiliate for the benefit of any current employee, officer, director, consultant or independent contractor (or any spouse or dependent of such individual) of Purchaser or any of its Subsidiaries or any Purchaser ERISA Affiliate.

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(ii) Each Purchaser Benefit Plan has been established, operated and administered in all material respects in accordance with its terms and the requirements of all applicable laws, including ERISA and the IRC. Neither Purchaser nor any of its Subsidiaries has taken any action to take corrective action or made a filing under any voluntary correction program of the IRS, the DOL or any other Governmental Entity with respect to any Purchaser Benefit Plan, and neither Purchaser nor any of its Subsidiaries has any Knowledge of any plan defect that would qualify for correction under any such program.

(iii) With regard to each Purchaser Benefit Plan that is intended to be qualified under Section 401(a) of the IRC (the **Purchaser Qualified Plans**), the IRS has issued a favorable determination letter with respect to each Purchaser Qualified Plan and the related trust, which letter has not been revoked (nor has revocation been threatened), and, to the Knowledge of Purchaser, there are no existing circumstances and no events have occurred that could adversely affect the qualified status of any Purchaser Qualified Plan or the exempt status of the related trust or increase the costs relating thereto. No trust funding any Purchaser Benefit Plan is intended to meet the requirements of Section 501(c)(9) of the IRC.

(iv) With respect to each Purchaser Benefit Plan that is subject to Title IV or Section 302 of ERISA or Sections 412, 430 or 4971 of the IRC: (i) no such plan is in at-risk status for purposes of Section 430 of the IRC, (ii) no reportable event within the meaning of Section 4043(c) of ERISA for which the 30-day notice requirement has not been waived has occurred, (iii) all premiums to the PBGC have been timely paid in full, (iv) no liability (other than for premiums to the PBGC) under Title IV of ERISA has been or is expected to be incurred by Purchaser or any of its Subsidiaries, and (v) the PBGC has not instituted proceedings to terminate any such Purchaser Benefit Plan.

(v) There are no pending or threatened claims (other than claims for benefits in the ordinary course), lawsuits or arbitrations that have been asserted or instituted, and, to Purchaser's Knowledge, no set of circumstances exists that may reasonably be expected to give rise to a claim or lawsuit, against Purchaser Benefit Plans, any fiduciaries thereof with respect to their duties to Purchaser Benefit Plans or the assets of any of the trusts under any of Purchaser Benefit Plans, that could reasonably be expected to result in any material liability of Purchaser or any of its Subsidiaries to the PBGC, the IRS, the DOL, any Multiemployer Plan, a Multiple Employer Plan, any participant in any Purchaser Benefit Plan, or any other party.

(vi) To the Knowledge of Purchaser, none of Purchaser and its Subsidiaries nor any Purchaser ERISA Affiliate nor any other person, including any fiduciary, has engaged in any prohibited transaction (as defined in Section 4975 of the IRC or Section 406 of ERISA) that could subject any of Purchaser Benefit Plans or their related trusts, Purchaser, any of its Subsidiaries, any Purchaser ERISA Affiliate or any person that Purchaser or any of its Subsidiaries has an obligation to indemnify, to any material tax or penalty imposed under Section 4975 of the IRC or Section 502 of ERISA.

(s) *Properties.* Purchaser and each of its Subsidiaries has good and marketable title to all real property owned by it (including any property acquired in a judicial foreclosure proceeding or by way of a deed in lieu of foreclosure or similar transfer), in each case free and clear of any Liens except (i) liens for Taxes not yet due and payable and (ii) such easements, restrictions and encumbrances, if any, as are not material in character, amount or extent, and do not materially detract from the value, or materially interfere with the present use of the properties subject thereto or affected thereby. Each lease pursuant to which Purchaser or any of its Subsidiaries as lessee, leases real or personal property is valid and in full force and effect as to Purchaser and the Subsidiaries and neither Purchaser nor any of its Subsidiaries, nor, to Purchaser's Knowledge, any other party to any such lease, is in default or in violation of any material provisions of any such lease. All real property owned or leased by Purchaser or any of its Subsidiaries are in all material respects in a good state of maintenance and repair (normal wear and tear excepted), conform in all material respects with all applicable ordinances, regulations and zoning laws and are considered by Purchaser to be

adequate for the current business of Purchaser and its Subsidiaries.

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(t) *Loan Matters.* All Loans held by Purchaser or any of its Subsidiaries were made in all material respects for good, valuable and adequate consideration in the ordinary course of the business, in accordance in all material respects with sound banking practices and, to the Knowledge of Purchaser, the Loans are not subject to any defenses, setoffs or counterclaims, including without limitation any such as are afforded by usury or truth in lending laws, except as may be provided by bankruptcy, insolvency or similar laws or by general principles of equity. The notes or other evidences of indebtedness evidencing such Loans and all forms of pledges, mortgages and other collateral documents and security agreements are, in all material respects, enforceable and valid.

(u) *Anti-takeover Provisions Inapplicable.* Purchaser and its Subsidiaries have taken all actions required to exempt Purchaser, Purchaser Bank, the Agreement and the Merger from any provisions of an anti-takeover nature contained in their organizational documents, and the provisions of any federal or state anti-takeover, fair price, moratorium, control share acquisition or similar laws or regulations.

(v) *Corporate Documents and Records.* Purchaser has previously made available a complete and correct copy of the Articles of Incorporation, bylaws and similar organizational documents of Purchaser and each of Purchaser's Subsidiaries, as in effect as of the date of this Agreement. Neither Purchaser nor any of Purchaser's Subsidiaries is in violation of its Articles of Incorporation, bylaws or similar organizational documents. The minute books of Purchaser and each of Purchaser's Subsidiaries constitute a complete and correct record of all actions taken by their respective boards of directors (and each committee thereof) and their stockholders.

(w) *CRA, Anti-Money Laundering, OFAC and Customer Information Security.* Purchaser Bank has received a rating of Satisfactory or better in its most recent examination or interim review with respect to the CRA. Purchaser does not have Knowledge of any facts or circumstances that would cause Purchaser Bank or any other Subsidiary of Purchaser: (i) to be deemed not to be in satisfactory compliance in any material respect with the CRA, and the regulations promulgated thereunder, or to be assigned a rating for CRA purposes by federal bank regulators of lower than Satisfactory; or (ii) to be deemed to be operating in violation in any material respect of the Bank Secrecy Act, the USA PATRIOT Act, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control, or any other applicable anti-money laundering statute, rule or regulation; or (iii) to be deemed not to be in satisfactory compliance in any material respect with the applicable privacy of customer information requirements contained in any federal and state privacy laws and regulations, including without limitation, in Title V of the Gramm-Leach-Bliley Act of 1999 and the regulations promulgated thereunder, as well as the provisions of the information security program adopted by Purchaser Bank. To the Knowledge of Purchaser, no non-public customer information has been disclosed to or accessed by an unauthorized third party in a manner that would cause either Purchaser or any of its Subsidiaries to undertake any remedial action. The Board of Directors of Purchaser Bank (or where appropriate of any other Subsidiary of Purchaser) has adopted, and Purchaser Bank (or such other Subsidiary of Purchaser) has implemented, an anti-money laundering program that contains adequate and appropriate customer identification verification procedures that comply with Section 326 of the USA PATRIOT Act and such anti-money laundering program meets the requirements in all material respects of Section 352 of the USA PATRIOT Act and the regulations thereunder, and Purchaser Bank (or such other Subsidiary of Purchaser) has complied in all material respects with any requirements to file reports and other necessary documents as required by the USA PATRIOT Act and the regulations thereunder.

(x) *Internal Controls.* Purchaser and its Subsidiaries have devised and maintain a system of internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, and (iii) access to assets is

permitted only in accordance with management's general or specific authorization. There are no significant deficiencies or material weaknesses in the design or operation of internal controls over

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financial reporting that are reasonably likely to adversely affect in any material respect Purchaser's ability to record, process, summarize and report financial information. To the Knowledge of Purchaser, there has occurred no fraud, whether or not material, that involves management or other employees who have a significant role in Purchaser's internal controls over financial reporting.

(y) *Tax Treatment of the Merger.* Purchaser has no Knowledge of any fact or circumstance relating to it that would prevent the transactions contemplated by this Agreement from qualifying as a reorganization under Section 368(a) of the IRC.

(z) *Fairness Opinion.* The Board of Directors of Purchaser has received the opinion (which, if initially rendered verbally, has been or will be confirmed by a written opinion, dated the same date) of Piper Jaffray & Co. to the effect that, as of the date of such opinion and subject to the assumptions, limitations and qualifications set forth therein, the Merger Consideration in the Merger is fair, from a financial point of view, to Purchaser.

(aa) *Environmental Matters.* Except as set forth in Purchaser's Disclosure Letter, each of Purchaser's and its Subsidiaries' properties, the Participation Facilities, and, to the Knowledge of Purchaser, the Loan Properties, are, and have been during the period of Purchaser's or its Subsidiaries' ownership or operation thereof, in material compliance with all Environmental Laws.

(bb) *Insurance.* In the opinion of management, Purchaser and its Subsidiaries are presently insured for amounts deemed reasonable by management against such risks as companies engaged in a similar business, including engaging in the transactions contemplated by the Agreement, would, in accordance with good business practice, customarily be insured. All of the insurance policies and bonds maintained by Purchaser and its Subsidiaries are in full force and effect, Purchaser and its Subsidiaries are not in default thereunder, all premiums and other payments due under any such policy have been paid and all material claims thereunder have been filed in due and timely fashion.

(cc) *Intellectual Property; Purchaser IT Systems.*

(i) Purchaser and each of its Subsidiaries owns or possesses valid and binding licenses and other rights to use (in the manner and the geographic areas in which they are currently used) without payment all patents, copyrights, trade secrets, trade names, service marks and trademarks material to its business. With regard to all material trademarks, trade names, service marks and copyrights owned by Purchaser or any of its Subsidiaries for use in its business, and all licenses and other agreements relating thereto and all agreements relating to third party intellectual property that Purchaser or any of its Subsidiaries is licensed or authorized to use in its business, including without limitation any software licenses but excluding any so-called "shrink-wrap" license agreements and other similar computer software licensed in the ordinary course of business and/or otherwise resident on desktop computers (collectively, the

Purchaser Intellectual Property), the owner possesses all right, title and interest in and to the item, free and clear of any Lien. With respect to each item of Purchaser Intellectual Property that Purchaser or any of its Subsidiaries is licensed or authorized to use, the license, sublicense or agreement covering such item is legal, valid, binding, enforceable and in full force and effect as to Purchaser and the Subsidiaries. Neither Purchaser nor any of its Subsidiaries has received any charge, complaint, claim, demand or notice alleging any interference, infringement, misappropriation or violation with or of any intellectual property rights of a third party (including any claims that Purchaser or any of its Subsidiaries must license or refrain from using any intellectual property rights of a third party). To the Knowledge of Purchaser, neither Purchaser nor any of its Subsidiaries has interfered with, infringed upon, misappropriated or otherwise come into conflict with any intellectual property rights of third parties and no third party has interfered with, infringed upon, misappropriated or otherwise come into conflict with any intellectual property rights of Purchaser or any of its Subsidiaries.

(ii) To Purchaser's Knowledge, all information technology and computer systems (including software, information technology and telecommunication hardware and other equipment) relating to the

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transmission, storage, maintenance, organization, presentation, generation, processing or analysis of data and information, whether or not in electronic format, used in or necessary to the conduct of the business of Purchaser or First Interstate Bank (collectively, **Purchaser IT Systems**) have been properly maintained by technically competent personnel, in accordance with standards set by the manufacturers or otherwise in accordance with standards in the industry, to ensure proper operation, monitoring and use. Purchaser IT Systems are in good working condition to effectively perform all information technology operations necessary to conduct Purchaser's consolidated business as currently conducted. Neither Purchaser nor Purchaser Bank has experienced within the past two years any material disruption to, or material interruption in, the conduct of its business attributable to a defect, bug, breakdown or other failure or deficiency of Purchaser IT Systems. No Person has gained unauthorized access to any of the Purchaser IT Systems that has had, or is reasonably expected to have, a Material Adverse Effect on Purchaser. Purchaser and Purchaser Bank have taken reasonable measures to provide for the back-up and recovery of the data and information necessary to the conduct of their businesses without material disruption to, or material interruption in, the conduct of their respective businesses. Purchaser and its Subsidiaries are in compliance in all material respects with all data protection and privacy laws and regulations as well as their own policies relating to data protection and the privacy and security of personal data and the non-public personal information of their respective customers and employees, except for immaterial failures to comply or immaterial violations.

(dd) *No Other Representations or Warranties.*

(i) Except for the representations and warranties made by Purchaser and Purchaser Bank in this *Section 3.3*, neither Purchaser, Purchaser Bank nor any other Person makes any express or implied representation or warranty with respect to Purchaser, Purchaser Bank, their Subsidiaries, or their respective businesses, operations, assets, liabilities, conditions (financial or otherwise) or prospects, and Purchaser and Purchaser Bank hereby disclaim any such other representations or warranties. In particular, without limiting the foregoing disclaimer, neither Purchaser, Purchaser Bank nor any other Person makes or has made any representation or warranty to IIBK or any of its Affiliates or representatives with respect to (A) any financial projection, forecast, estimate, budget or prospective information relating to Purchaser, Purchaser Bank any of their Subsidiaries or their respective businesses, or (B) except for the representations and warranties made by Purchaser or Purchaser Bank in this *Section 3.3*, any oral or written information presented to IIBK or any of its Affiliates or representatives in the course of their due diligence investigation of Purchaser and Purchaser Bank, the negotiation of this Agreement or in the course of the transactions contemplated hereby.

(ii) Purchaser and Purchaser Bank hereby acknowledge and agree that neither IIBK nor any other Person has made or is making any express or implied representation or warranty other than those contained in *Section 3.2*.

ARTICLE IV

CONDUCT PENDING THE MERGER

4.1 Forbearances by IIBK. Except as expressly contemplated or permitted by this Agreement, disclosed in IIBK's Disclosure Letter, or to the extent required by law or regulation or any Governmental Entity, during the period from the date of this Agreement to the Effective Time, IIBK shall not, nor shall IIBK permit any of its Subsidiaries to, without the prior written consent (which may include consent via electronic mail) of Purchaser or Purchaser Bank (which consent shall not be unreasonably withheld, conditioned or delayed):

(a) conduct its business other than in the regular, ordinary and usual course consistent with past practice; fail to use reasonable efforts to maintain and preserve intact its business organization, properties, leases, employees and advantageous business relationships and retain the services of its officers and key employees; or take any action that

would adversely affect or materially delay its ability to perform its obligations under this Agreement or to consummate the transactions contemplated hereby;

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- (b) (i) incur, modify, extend or renegotiate any indebtedness for borrowed money, or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, other than, in each case, in the ordinary course of business consistent with past practice;
- (ii) prepay any indebtedness or other similar arrangements so as to cause IIBK to incur any prepayment penalty thereunder; or
- (iii) accept any brokered certificates of deposit;
- (c) (i) adjust, split, combine or reclassify any capital stock;
- (ii) make, declare or pay any dividend, or make any other distribution on its capital stock;
- (iii) grant any Person any right to acquire any shares of its capital stock or make any grant or award under IIBK Equity Plans;
- (iv) issue any additional shares of capital stock or any securities or obligations convertible or exercisable for any shares of its capital stock, except pursuant to the exercise, including via cashless exercise, of stock options outstanding as of the date hereof; or
- (v) redeem or otherwise acquire any shares of its capital stock other than a security interest or as a result of the enforcement of a security interest and other than as provided in this Agreement;
- (d) other than in the ordinary course of business consistent with past practice (including the sale, transfer or disposal of other real estate owned (**OREO**)), (i) sell, transfer, mortgage, encumber or otherwise dispose of any of its real property or other assets to any Person other than a Subsidiary, or (ii) cancel, release or assign any indebtedness to any such Person or any claims held by any such Person;
- (e) make any equity investment, either by purchase of stock or securities, contributions to capital, property transfers, or purchase of any property or assets of any other Person, or form any new subsidiary;
- (f) other than in the ordinary course of business consistent with past practice, enter into, renew, amend or terminate any material contract, plan or agreement, or make any change in any of its leases or material contracts;
- (g) except for Loans or commitments for Loans that have previously been approved by IIBK prior to the date of this Agreement, make, renegotiate, renew, increase the amount of, extend the term of, modify or purchase any Loans, or make any commitment in respect of any of the foregoing, other than in the ordinary course of business consistent with past practice;
- (h) (i) make any new Loan, or commit to make any new Loan, to any director or executive officer of IIBK, or any entity controlled, directly or indirectly, by any of the foregoing or (ii) except for Loans made in accordance with Regulation O of the Federal Reserve, as implemented by the FDIC, amend, renew or increase any existing Loan, or commit to amend, renew or increase any such Loan, to any director or executive officer of IIBK, or any entity controlled, directly or indirectly, by any of the foregoing;
- (i) (i)(a) increase in any manner the base compensation or other fringe benefits of any of its employees or directors, other than in the ordinary course of business consistent with past practice and pursuant to policies and written incentive plans then in effect or as set forth in IIBK's Disclosure Letter and in an amount not to exceed the greater of

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5% of such individual's base salary or wage rate as of the date hereof or an aggregate of \$7,500, or (b) create any new bonus, pension, retirement allowance or benefit contribution obligations, or pay any bonus, except for cash bonuses accrued and paid in the ordinary course of business consistent with past

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practice and in an amount not to exceed \$2,000,000 in the aggregate, as set forth in IIBK's Disclosure Letter or otherwise agreed to by Purchaser. Notwithstanding the foregoing, the parties agree that if the property owned by IIBK known as Trident Ridge Subdivision identified in the Disclosure Letter is successfully sold prior to Closing with Purchaser's approval, which approval shall not be unreasonably withheld, then the amount of the cash bonus payable under IIBK's current bonus plans as a result of the sale of such property will not be included for the purpose of calculating the \$2,000,000 threshold in this Section;

(ii) become a party to, amend, renew, extend or commit itself to any pension, retirement, profit-sharing or welfare benefit plan or agreement or employment, severance or change in control agreement with or for the benefit of any employee or director, except for amendments to any plan or agreement that are required by law and except for compensation agreements with residential real estate loan officers in the ordinary course of business consistent with past practice;

(iii) amend, modify or revise the terms of any outstanding stock option or voluntarily accelerate the vesting of, or the lapsing of restrictions with respect to, any stock options or other stock-based compensation; or make any contributions to any defined contribution plan not in the ordinary course of business consistent with past practice;

(iv) elect to any office with the title of Senior Vice President or higher any person who does not hold such office as of the date of this Agreement or elect to its Board of Directors any person who is not a member of its Board of Directors as of the date of this Agreement; or

(v) hire any employee with an annualized salary in excess of \$150,000 except as may be necessary to replace any employee whose employment is terminated, whether voluntarily or involuntarily;

(j) commence any action or proceeding, other than to enforce any obligation owed to IIBK or any of its Subsidiaries and in accordance with past practice, or settle any claim, action or proceeding (i) involving payment by it of money damages in excess of \$100,000 or (ii) that would impose any material restriction on its operations or the operations of any of its Subsidiaries;

(k) amend its Articles of Incorporation or bylaws, or similar governing documents;

(l) increase or decrease the rate of interest paid on time deposits or on certificates of deposit, except in the ordinary course of business;

(m) other than in the ordinary course of business consistent with past practice, purchase any debt security, including mortgage-backed and mortgage-related securities, other than U.S. government and U.S. government agency securities with final maturities of less than two years or FDIC insured certificates of deposit of three years or less;

(n) make any capital expenditures in the aggregate in excess of \$250,000, other than pursuant to binding commitments existing on the date hereof, which are described in IIBK's Disclosure Letter, and except for expenditures reasonably necessary to maintain existing assets in good repair;

(o) establish or commit to the establishment of any new branch or other office facilities or file any application to relocate or terminate the operation of any banking office;

(p) enter into any futures contract, option, swap agreement, interest rate exchange agreement, or take any other action for purposes of hedging the exposure of its interest-earning assets or interest-bearing liabilities to changes in market rates of interest;

(q) make any changes in policies in any material respect in existence on the date hereof with regard to: the extension of credit or the establishment of reserves with respect to possible loss thereon or the charge off

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of losses incurred thereon; investments; asset/liability management; deposit pricing or gathering; underwriting, pricing, originating, acquiring, selling, servicing or buying or selling rights to service, loans; its hedging practices and policies; or other material banking policies, in each case except as may be required by changes in applicable law or regulations, GAAP, or at the direction of a Governmental Entity;

(r) except as required by law or for communications in the ordinary course of business consistent with past practice that do not relate to the Merger or other transactions contemplated hereby:

(i) issue any communication of a general nature to employees (including general communications relating to benefits and compensation) without prior consultation with Purchaser and, to the extent relating to post-Closing employment, benefit or compensation information, without the prior consent of Purchaser (which shall not be unreasonably withheld, conditioned or delayed); or

(ii) issue any communication of a general nature to customers without the prior approval of Purchaser (which shall not be unreasonably withheld, conditioned or delayed);

(s) except with respect to foreclosures in process as of the date hereof, foreclose upon or take a deed or title to any commercial real estate (i) without providing prior notice to Purchaser and conducting a Phase I environmental assessment of the property and (ii) if the Phase I environmental assessment referred to in the prior clause reflects the presence of any Hazardous Material or underground storage tank;

(t) make, change or rescind any material election concerning Taxes or Tax Returns, file any amended Tax Return, enter into any closing agreement with respect to Taxes, settle or compromise any material Tax claim or assessment, or surrender any right to claim a refund of Taxes or obtain any Tax ruling;

(u) take any action that is intended or expected to result in any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time prior to the Effective Time, or in any of the conditions to the Merger set forth in Article VI not being satisfied or in a violation of any provision of this Agreement;

(v) implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or regulatory guidelines;

(w) enter into any new lines of business;

(x) purchase any mortgage loan servicing rights other than in the ordinary course of business consistent with past practice;

(y) merge or consolidate any Subsidiary with any other corporation or restructure, reorganize or completely or partially liquidate or dissolve it or any of its Subsidiaries;

(z) knowingly take action that would prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368 of the IRC; or

(aa) agree to take, make any commitment to take, or adopt any resolutions of its Board of Directors in support of, any of the actions prohibited by this *Section 4.1*.

Any request by IIBK or response thereto by Purchaser or Purchaser Bank shall be made in accordance with the notice provisions of *Section 8.7* and shall note that it is a request pursuant to this *Section 4.1*.

4.2 Forbearances by Purchaser and Purchaser Bank. Except as expressly contemplated or permitted by this Agreement or to the extent required by law or regulation or any Governmental Entity, during the period from

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the date of this Agreement to the Effective Time, Purchaser and Purchaser Bank shall maintain its rights and franchises in all material respects, and shall not, nor shall Purchaser or Purchaser Bank permit any of their Subsidiaries to, without the prior written consent (which may include consent via electronic mail) of IIBK (which consent shall not be unreasonably withheld, conditioned or delayed):

- (a) fail to use reasonable efforts to maintain and preserve intact their business organization, properties, leases, employees and advantageous business relationships and retain the services of their officers and key employees;
- (b) take any action that would adversely affect or materially delay their ability to perform their obligations under this Agreement or to consummate the transactions contemplated hereby;
- (c) take any action that is intended to or expected to result in any of their representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time prior to the Effective Time, or in any of the conditions to the Merger set forth in Article VI not being satisfied or in a violation of any provision of this Agreement;
- (d) knowingly take action that would prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368 of the IRC;
- (e) agree to take, make any commitment to take, or adopt any resolutions of their Boards of Directors in support of, any of the actions prohibited by this *Section 4.2*; or
- (f) amend, repeal or modify any provision of their Articles of Incorporation or Bylaws in a manner that would adversely affect IIBK or any IIBK stockholder or the transactions contemplated by this Agreement.

Any request by Purchaser or Purchaser Bank or response thereto by IIBK shall be made in accordance with the notice provisions of *Section 8.7* and shall note that it is a request pursuant to this *Section 4.2*.

ARTICLE V

COVENANTS

5.1 Acquisition Proposals.

- (a) From the date of this Agreement until the earlier to occur of the Closing or the termination of this Agreement in accordance with its terms, IIBK shall not, and shall not authorize or permit any of its Subsidiaries or any of its Subsidiaries officers, directors or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by IIBK or any of its Subsidiaries to, directly or indirectly, (i) solicit, initiate, induce or encourage, or take any other action to facilitate, any inquiries, offers discussions or the making of any proposal that constitutes or could reasonably be expected to lead to an Acquisition Proposal, (ii) furnish any confidential or non-public information or data regarding IIBK or any of its Subsidiaries or afford access to any such information or data to any Person in connection with or in response to an Acquisition Proposal or an inquiry or indication of interest that would reasonably be expected to lead to an Acquisition Proposal, (iii) continue or otherwise participate in any discussions or negotiations, or otherwise communicate in any way with any Person (other than Purchaser and Purchaser Bank), regarding an Acquisition Proposal, (iv) approve, endorse or recommend any Acquisition Proposal, (v) release any Person from, waive any provisions of, or fail to use its reasonable best efforts to enforce any confidentiality agreement or standstill agreement to which IIBK is a party or (vi) enter into or consummate any agreement, agreement in principle, letter of intent, arrangement or understanding contemplating any Acquisition

Proposal or requiring IIBK to abandon, terminate or fail to consummate the transactions contemplated hereby. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by any officer, director or employee of IIBK or

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any of the Subsidiaries or any investment banker, financial advisor, attorney, accountant or other representative retained by IIBK or any of its Subsidiaries shall be deemed to be a breach of this *Section 5.1* by IIBK. Notwithstanding the foregoing, prior to the adoption and approval of this Agreement by IIBK's stockholders at the IIBK Stockholder Meeting, this *Section 5.1(a)* shall not prohibit IIBK from furnishing non-public information regarding IIBK and its Subsidiaries to, or entering into discussions with, any Person in response to an Acquisition Proposal that is submitted to IIBK by such Person (and not withdrawn) if (1) the Acquisition Proposal constitutes or is reasonably expected to result in a Superior Proposal, (2) IIBK has not breached any of the covenants set forth in this *Section 5.1*, (3) IIBK's Board of Directors determines in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to violate the directors' fiduciary obligations to IIBK's stockholders under applicable law, and (4) prior to furnishing any non-public information to, or entering into discussions with, such Person, IIBK gives Purchaser and Purchaser Bank written notice of the identity of such Person and of IIBK's intention to furnish non-public information to, or enter into discussions with, such Person and IIBK receives from such Person an executed confidentiality agreement on terms no more favorable to such Person than the confidentiality agreement between Purchaser and IIBK is to Purchaser.

(b) IIBK will notify Purchaser orally within one (1) business day and in writing (within two (2) business days) of receipt of any Acquisition Proposal, any request for non-public information that could reasonably be expected to lead to an Acquisition Proposal, or any inquiry with respect to or that could reasonably be expected to lead to an Acquisition Proposal, including, in each case, the identity of the Person making such Acquisition Proposal, the request or inquiry and the terms and conditions thereof, and shall provide to Purchaser any written materials received by IIBK or any of its Subsidiaries in connection therewith. IIBK will keep Purchaser informed of any developments with respect to any such Acquisition Proposal, request or inquiry promptly orally (within one (1) calendar day) and in writing (within two (2) calendar days) upon the occurrence thereof.

(c) IIBK will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted prior to the date of this Agreement with respect to any of the foregoing.

5.2 Advice of Changes. Prior to the Closing, IIBK, on the one hand, and Purchaser and Purchaser Bank, on the other hand, shall promptly advise the other party orally and in writing to the extent that it has Knowledge of (i) any representation or warranty made by it contained in this Agreement becoming untrue or inaccurate in any material respect or (ii) the failure by it to comply in any material respect with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; *provided, however*, that no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

5.3 Access and Information.

(a) Upon reasonable notice and subject to applicable laws relating to the exchange of information, each of Purchaser and Purchaser Bank, on the one hand, and IIBK, on the other hand, for purposes of verifying the representations and warranties of the other and preparing for integration of the parties and other matters contemplated by this Agreement, shall (and shall cause its respective Subsidiaries to) afford to the other party and its representatives (including, without limitation, officers and employees of the other party and its Affiliates and counsel, accountants and other professionals retained by the other party) such reasonable access during normal business hours throughout the period prior to the Effective Time to the books, records, contracts, properties, personnel, information technology services and to such other information relating to the other party and its Subsidiaries as may be reasonably requested, except where such materials relate to (i) matters involving this Agreement, (ii) pending or threatened litigation or investigations if, in the opinion of counsel, the presence of such designees would or might adversely affect the confidential nature of, or any privilege relating to, the matters being discussed, (iii) matters involving an Acquisition Proposal or (iv) confidential

supervisory information; *provided, however*, that no investigation pursuant to this *Section 5.3* shall affect or be deemed to modify any representation or warranty made in this Agreement. Neither party nor any of its Subsidiaries shall be required to

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provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of its customers, jeopardize the attorney-client privilege of the entity in possession or control of such information or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties will make appropriate and reasonable substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(b) From the date hereof until the Effective Time, IIBK shall, and shall cause its respective Subsidiaries to, promptly provide to Purchaser Bank (i) a copy of each report filed with a Governmental Entity, (ii) a copy of each periodic report provided to its senior management and all materials relating to its business or operations furnished to its Board of Directors, (iii) a copy of each press release made available to the public and (iv) all other information concerning its business, properties and personnel as may be reasonably requested, provided that Purchaser Bank shall not be entitled to receive reports or other documents relating to (w) matters involving this Agreement, (x) pending or threatened litigation or investigations if, in the opinion of counsel, the disclosure of such information would or might adversely affect the confidential nature of, or any privilege relating to, the matters being discussed, (y) matters involving an Acquisition Proposal or (z) confidential supervisory information.

(c) IIBK, Purchaser and Purchaser Bank will not, and will cause its respective representatives not to, use any information and documents obtained in the course of the consideration of the consummation of the transactions contemplated by this Agreement, including any information obtained pursuant to this *Section 5.3*, for any purpose unrelated to the consummation of the transactions contemplated by this Agreement and will hold such information and documents in confidence and treat such information and documents as secret and confidential and to use all reasonable efforts to safeguard the confidentiality of such information and documents.

(d) From and after the date hereof, representatives of Purchaser, Purchaser Bank and IIBK shall meet on a regular basis to discuss and plan for the conversion of IIBK's data processing and related electronic informational systems to those used by Purchaser Bank with the goal of conducting such conversion as soon as practicable following the consummation of the Merger.

(e) Within ten (10) Business Days of the end of each calendar month, IIBK shall provide Purchaser Bank with an updated list of Loans described in *Section 3.2(w)(vi)*.

(f) The information regarding IIBK and its Subsidiaries to be supplied by IIBK for inclusion in the Registration Statement, any filings or approvals under applicable state securities laws, or any filing pursuant to Rule 165 or Rule 425 under the Securities Act or Rule 14a-12 under the Exchange Act will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The information supplied, or to be supplied, by IIBK for inclusion in applications to Governmental Entities to obtain all permits, consents, approvals and authorizations necessary or advisable to consummate the transactions contemplated by this Agreement shall be accurate in all material respects.

(g) The information regarding Purchaser, Purchaser Bank and their Subsidiaries to be supplied by Purchaser and Purchaser Bank for inclusion in the Registration Statement, any filings or approvals under applicable state securities laws, or any filing pursuant to Rule 165 or Rule 425 under the Securities Act or Rule 14a-12 under the Exchange Act will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement-Prospectus will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder. The information supplied, or to be supplied, by Purchaser and Purchaser Bank for inclusion in applications to Governmental Entities to obtain all permits, consents, approvals and

authorizations necessary or advisable to consummate the transactions contemplated by this Agreement shall be accurate in all material respects. The Registration Statement will comply as to form in all material respects with the provisions of the Securities Act and the rules and regulations thereunder.

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5.4 Applications; Consents.

(a) The parties hereto shall cooperate with each other and shall use their reasonable best efforts to prepare and file within forty-five (45) days after the date hereof, all necessary applications, notices and filings to obtain all permits, consents, approvals and authorizations of all Governmental Entities that are necessary or advisable to consummate the transactions contemplated by this Agreement. The parties hereto shall furnish each other with all information concerning themselves, their respective Subsidiaries, and their respective Subsidiaries' directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any application, notice or filing made by or on behalf of Purchaser, Purchaser Bank, IIBK or any of their respective Subsidiaries to any Governmental Entity in connection with the transactions contemplated by this Agreement. Purchaser, Purchaser Bank and IIBK shall have the right to review in advance, and to the extent practicable each will consult with the other on, all the information relating to Purchaser, Purchaser Bank and IIBK, as the case may be, and any of their respective Subsidiaries, that appears in any filing made with, or written materials submitted to, any Governmental Entity pursuant to this *Section 5.4(a)*.

(b) As soon as practicable after the date hereof, each of the parties hereto shall, and they shall cause their respective Subsidiaries to, use its reasonable best efforts to obtain any consent, authorization or approval of any third party that is required to be obtained in connection with the transactions contemplated by this Agreement.

(c) Purchaser, Purchaser Bank and IIBK shall promptly advise each other upon receiving any communication from any Governmental Entity whose consent or approval is required for consummation of the transactions contemplated by this Agreement that causes such party to believe that there is a reasonable likelihood that such consent or approval will not be obtained or that the receipt of any such required consent or approval will be materially delayed.

5.5 Anti-Takeover Provisions. IIBK and its Subsidiaries shall take all steps required by any relevant federal or state law or regulation or under any relevant agreement or other document to exempt or continue to exempt Purchaser, Purchaser Bank, the Agreement and the Merger from any provisions of an anti-takeover nature in IIBK's or its Subsidiaries' Articles of Incorporation and Bylaws, or similar organizational documents, and the provisions of any federal or state anti-takeover laws.

5.6 Additional Agreements. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take promptly, or cause to be taken promptly, all actions and to do promptly, or cause to be done promptly, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement as expeditiously as possible, including using efforts to obtain all necessary actions or non-actions, extensions, waivers, consents and approvals from all applicable Governmental Entities, effecting all necessary registrations, applications and filings (including, without limitation, filings under any applicable state securities laws) and obtaining any required contractual consents and regulatory approvals.

5.7 Publicity. The initial press release announcing this Agreement shall be a joint press release. Thereafter, IIBK and Purchaser shall consult with each other prior to issuing any press releases or otherwise making public statements (including any written communications to stockholders) with respect to the Merger and any other transaction contemplated hereby; *provided, however*, that nothing in this *Section 5.7* shall be deemed to prohibit any party from making any disclosure that its counsel deems necessary to satisfy such party's disclosure obligations imposed by law.

5.8 Stockholder Meeting.

(a) IIBK will submit to its stockholders this Agreement and any other matters required to be approved or adopted by stockholders to carry out the intentions of this Agreement. In furtherance of that obligation, IIBK

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will take, in accordance with applicable law and its Articles of Incorporation and Bylaws, all action necessary to call, give notice of, convene and hold a meeting of its stockholders (the **IIBK Stockholder Meeting**) as promptly as practicable to consider and vote on approval and adoption of this Agreement and the transactions provided for in this Agreement. Subject to *Section 5.8(b)*, IIBK shall, (i) through its Board of Directors, recommend to its stockholders adoption and approval of this Agreement, (ii) include such recommendation in the Proxy Statement-Prospectus and (iii) use commercially reasonable efforts to obtain from its stockholders a vote approving and adopting this Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, at any time prior to the IIBK Stockholder Meeting, IIBK's Board of Directors may, if it concludes in good faith (after consultation with its outside legal advisors) that the failure to do so would be reasonably likely to result in a violation of its fiduciary duties under applicable law, withdraw or modify or change in a manner adverse to Purchaser its recommendation that the stockholders of IIBK approve this Agreement (a **Change of Recommendation**); *provided* that prior to any such Change of Recommendation, IIBK shall have complied in all material respects with *Section 5.1*, given Purchaser and Purchaser Bank written notice promptly (and in any event within twenty-four (24) hours) advising it of the decision of IIBK's Board of Directors to take such action and, if the decision relates to an Acquisition Proposal, given Purchaser and Purchaser Bank the material terms and conditions of the Acquisition Proposal or inquiry, including the identity of the Person making any such Acquisition Proposal; and *provided, further*, that if the decision relates to an Acquisition Proposal: (i) IIBK shall have given Purchaser and Purchaser Bank three (3) Business Days after delivery of such notice to Purchaser and Purchaser Bank to propose revisions to the terms of this Agreement (or make another proposal) and if Purchaser and Purchaser Bank propose to revise the terms of this Agreement, IIBK shall have negotiated in good faith with Purchaser and Purchaser Bank with respect to such proposed revisions or other proposal; and (ii) IIBK's Board of Directors shall have determined in good faith, after considering the results of such negotiations and giving effect to any proposals, amendments or modifications made or agreed to by Purchaser and Purchaser Bank, if any, that such Acquisition Proposal constitutes a Superior Proposal. If IIBK's Board of Directors does not make the determination that such Acquisition Proposal constitutes a Superior Proposal and thereafter determines not to withdraw, modify or change its recommendation that the stockholders of IIBK approve this Agreement in connection with a new Acquisition Proposal, the procedures referred to above shall apply anew and shall also apply to any subsequent withdrawal, modification or change. In the event of any material revisions to the Acquisition Proposal that result in terms that are less favorable to IIBK, IIBK shall be required to deliver a new written notice to Purchaser and Purchaser Bank and to again comply with the requirements of this *Section 5.8(b)* with respect to such new written notice, except that the three (3) Business Day period referred to above shall be reduced to two (2) Business Days. In addition to the foregoing, IIBK shall not submit to the vote of its stockholders any Acquisition Proposal other than the Merger.

5.9 Registration of Purchaser Common Stock.

(a) Within forty-five (45) days following the date hereof, Purchaser shall prepare and file the Registration Statement with the SEC. The Registration Statement shall contain proxy materials relating to the matters to be submitted to IIBK stockholders at the IIBK Stockholders Meeting and shall also constitute the prospectus relating to the shares of Purchaser Common Stock to be issued in the Merger (such proxy statement/prospectus, and any amendments or supplements thereto, the **Proxy Statement-Prospectus**). IIBK will furnish to Purchaser the information required to be included in the Registration Statement with respect to its business and affairs and shall have the right to review and consult with Purchaser and approve the form of, and any characterizations of such information included in, the Registration Statement prior to its being filed with the SEC. Purchaser shall use its reasonable best efforts to have the Registration Statement declared effective by the SEC and to keep the Registration Statement effective as long as is necessary to consummate the Merger and the transactions contemplated hereby. IIBK will use reasonable best efforts to cause the Proxy Statement-Prospectus to be mailed to its stockholders as promptly as practicable after the

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Registration Statement is declared effective under the Securities Act. Purchaser will advise IIBK, promptly after it receives notice thereof, of the time when the Registration Statement has become effective, the issuance of any stop order, the suspension of the

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qualification of Purchaser Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Proxy Statement-Prospectus or the Registration Statement. If at any time prior to the Effective Time, any information relating to Purchaser or IIBK, or any of their respective Affiliates, officers or directors, should be discovered by Purchaser or IIBK that should be set forth in an amendment or supplement to any of the Registration Statement or the Proxy Statement-Prospectus so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party that discovers such information shall promptly notify the other party hereto and, to the extent required by law, rules or regulations, an appropriate amendment or supplement describing such information shall be promptly filed by Purchaser with the SEC and disseminated by IIBK to the stockholders of IIBK.

(b) Purchaser shall also take any action required to be taken under any applicable state securities laws in connection with the Merger and each of IIBK and Purchaser shall furnish all information concerning it and the holders of IIBK Common Stock as may be reasonably requested in connection with any such action.

(c) Prior to the Effective Time, Purchaser shall notify or file an application with The Nasdaq Stock Market LLC for the additional shares of Purchaser Common Stock to be issued by Purchaser in exchange for the shares of IIBK Common Stock.

5.10 Notification of Certain Matters. Each party shall give prompt notice to the other of: (i) any event or notice of, or other communication relating to, a default or event that, with notice or lapse of time or both, would become a default, received by it or any of its Subsidiaries subsequent to the date of this Agreement and prior to the Effective Time, under any contract material to the financial condition, properties, businesses or results of operations of each party and its Subsidiaries taken as a whole to which each party or any Subsidiary is a party or is subject; and (ii) any event, condition, change or occurrence that individually or in the aggregate has, or that, so far as reasonably can be foreseen at the time of its occurrence, is reasonably likely to result in a Material Adverse Effect. Each of IIBK, Purchaser and Purchaser Bank shall give prompt notice to the other party of any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with any of the transactions contemplated by this Agreement.

5.11 Employee Benefit Matters.

(a) Purchaser shall honor IIBK Benefit Plans set forth in IIBK's Disclosure Letter in accordance with the terms of such IIBK Benefit Plans, except to the extent an alternative treatment is set forth in this *Section 5.11* or in *Section 2.11* of this Agreement. Following the Effective Time, Purchaser shall maintain or cause to be maintained employee benefit plans and compensation opportunities for the benefit of all Persons who are employees of IIBK and its Subsidiaries immediately prior to the Effective Time and whose employment is not specifically terminated at or prior to the Effective Time (a **Continuing Employee**) that, in the aggregate are substantially comparable to the employee benefit and compensation opportunities that are generally made available to similarly situated employees of Purchaser or its Subsidiaries; *provided, however*, in no event shall any Continuing Employee be eligible to participate in any frozen plan of Purchaser or its Subsidiaries.

(b) At the sole discretion of Purchaser, Purchaser may maintain IIBK's health and welfare plans through the end of the calendar year in which the Effective Time occurs. Notwithstanding the foregoing, if Purchaser determines to terminate one or more of IIBK's health and/or welfare plans, then, at the request of Purchaser made at least thirty (30) days prior to the Effective Time, IIBK shall adopt resolutions, to the extent required, providing that one or more of IIBK's health and welfare plans (excluding any plans that are mutually agreed to in writing between the parties) will be terminated effective immediately prior to the Effective Time (or such later date as requested by Purchaser in

writing or as may be required to comply with any applicable advance notice or other requirements contained in such plans) and shall arrange for termination of all corresponding insurance policies, service agreements and related arrangements effective on the same date to the extent not

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prohibited by the terms of such arrangements or applicable law. Notwithstanding the foregoing, no coverage of any of the Continuing Employees or their dependents shall terminate under any of IIBK's health and welfare plans prior to the time such Continuing Employees or their dependents, as applicable, become eligible to participate in the health plans, programs and benefits common to all employees of Purchaser and its Subsidiaries and their dependents and, consequently, no Continuing Employee shall experience a gap in coverage. Continuing Employees who become covered under health plans, programs and benefits of Purchaser or any of its Subsidiaries shall receive credit for any co-payments and deductibles paid under IIBK's health plan for the plan year in which coverage commences under Purchaser's health plan and shall not be subject to any pre-existing conditions under any such plans. Terminated IIBK employees and qualified beneficiaries will have the right to continued coverage under group health plans of Purchaser in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and the regulations promulgated thereunder.

(c) Purchaser shall cause each Purchaser Benefit Plan in which Continuing Employees are eligible to participate to take into account for purposes of eligibility and vesting (but not benefit accrual under the Purchaser 401(k) Plan for 2019 employer contributions) under the Purchaser Benefit Plans the service of such employees with IIBK to the same extent as such service was credited for such purpose by IIBK; *provided, however*, that such service shall not be recognized: (i) to the extent that such recognition would result in a duplication of benefits under any of the Purchaser Benefit Plans or (ii) to the extent, at the sole discretion of Purchaser, the cash value of unused paid time-off is paid to Continuing Employees at the Effective Time. The value of each IIBK employee's unused paid time-off is set forth in IIBK's Disclosure Letter. This Agreement shall not be construed to limit the ability of Purchaser to terminate the employment of any IIBK employee or to review any employee benefit plan or program from time to time and to make such changes (including terminating any such plan or program) as Purchaser deems appropriate.

(d) IIBK shall take all necessary and appropriate actions to cause IIBK 401(k) Plan to be frozen as to future contributions effective immediately prior to the Effective Time and Purchaser shall take all necessary and appropriate actions to allow the Continuing Employees to participate in Purchaser's 401(k) Plan on the first day immediately following the Effective Time. Alternatively, if requested in writing by Purchaser no later than thirty (30) days prior to Closing, IIBK will also take all necessary steps to terminate IIBK 401(k) Plan immediately prior to the Effective Time, subject to the occurrence of the Effective Time, and if further requested, shall prepare and submit a request to the IRS for a favorable determination letter on termination. If Purchaser requests that IIBK apply for a favorable determination letter, then prior to the Effective Time, IIBK shall take all such actions as are necessary (determined in consultation with Purchaser) to submit the application for favorable determination letter in advance of the Effective Time, and following the Effective Time, Purchaser shall use its best efforts in good faith to obtain such favorable determination letter as promptly as possible (including, but not limited to, making such changes to IIBK 401(k) Plan as may be required by the IRS as a condition to its issuance of a favorable determination letter). Prior to the Effective Time, IIBK, and following the Effective Time, Purchaser, will adopt such amendments to IIBK 401(k) Plan to effect the provisions of this *Section 5.11(d)*. In the event Purchaser requests IIBK to submit an application to the IRS for a determination letter, IIBK 401(k) Plan participants who are terminated at or after the Closing, but prior to the receipt of the IRS determination letter, may elect to receive a distribution from IIBK 401(k) Plan upon termination of their employment. Purchaser shall take any and all actions as may be required to permit Continuing Employees to roll over their account balances in IIBK's 401(k) Plan into Purchaser's 401(k) Plan.

(e) Purchaser agrees that each full-time IIBK employee who is involuntarily terminated by Purchaser (other than for Cause as determined by Purchaser) within six months following the Effective Time and who is not covered by a separate severance, change in control or employment agreement shall, upon executing an appropriate release in the form reasonably determined by Purchaser, receive a severance payment equal to two weeks of base pay (at the rate in effect on the termination date) for each year of service at IIBK, with a minimum equal to four weeks of base pay and a maximum equal to fifty-two (52) weeks, as determined in accordance with Purchaser's severance policy, as set forth in

Purchaser's Disclosure Letter. For purposes of calculating the number of years of service, fractional years of service shall be rounded up or down to the nearest full month. For

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purposes of calculating base pay, IIBK employees who are paid on an hourly basis shall be deemed to have a base pay equal to the employee's average weekly compensation over the two months prior to the termination date; provided that, in no event shall an employee's base pay for this purpose be less than the employee's base pay with IIBK as in effect immediately prior to Closing. For employees whose compensation is determined in whole or in part on the basis of commission income, base pay shall include base salary or total hourly wages paid plus commissions earned during the most recent twelve (12) months ended as of the date of termination of employment. Purchaser will offer IIBK employees whose jobs are eliminated as a result of the Merger priority in applying for open positions within Purchaser or Purchaser Bank. Any employee of IIBK who has or is a party to any employment agreement, severance agreement, change in control agreement or any other agreement or arrangement that provides for any payment that may be triggered by a termination, including a termination following the Merger, shall not receive the severance benefits as provided in this Section but will receive the payment specified in such agreement or arrangement.

(f) Purchaser shall honor and maintain all obligations under the employment agreements, the IIBK Second Amended and Restated Executive Non-Qualified Retirement Plan and associated Plan Agreements, IIBK Amended and Restated Deferred Compensation Agreement with Jack W. Gustavel, IIBK Second Amended and Restated 2005 Deferred Compensation Agreement with Jack W. Gustavel and Model Rabbi Trust Agreement, each as set forth in IIBK's Disclosure Letter, except to the extent any such agreement is superseded, with the consent of the beneficiary, as of, or following, the Effective Time. Purchaser specifically agrees to assume the IIBK Second Amended and Restated Executive Non-Qualified Retirement Plan, IIBK Amended and Restated Deferred Compensation Agreement with Jack W. Gustavel, IIBK Second Amended and Restated 2005 Deferred Compensation Agreement with Jack W. Gustavel and Model Rabbi Trust Agreement (collectively, the **Non-Qualified Plans**) and the timing and amount of the benefits that accrue and the payments thereunder will continue to be made in accordance with the terms of the Non-Qualified Plans.

(g) Purchaser shall establish a retention bonus pool in the amount as provided in Purchaser Disclosure Letter for employees of IIBK and its Subsidiaries jointly designated in writing by Purchaser and IIBK (other than employees of IIBK who are subject to employment contracts or other contracts providing for severance) to help retain key employees; provided, that any retention bonus pool payment is not considered an excess parachute payment within the meaning of Section 280G of the IRC or results in any other adverse tax consequence to the Purchaser. The amount and payment date of the retention bonus for each such employee shall be jointly determined in writing by Purchaser and IIBK, but in the aggregate shall equal the amount provided in Purchaser Disclosure Letter assuming all such key employees remain with the Purchaser or an Affiliate to such date or are involuntarily terminated without cause prior to that date.

(h) Concurrently with the execution of this Agreement, Purchaser, Purchaser Bank and IIBK shall enter into settlement agreements with Jack Wynn Gustavel and Kurt Gustavel to be effective as of the Effective Time, as provided in Purchaser Disclosure Letter.

(i) Purchaser shall provide all employees of IIBK and its Subsidiaries whose employment was terminated other than for cause, disability or retirement at or following the Effective Time, and who so desires, job counseling and outplacement assistance services, in which it shall assist such employees in locating new employment and shall notify all such employees who want to be so notified of opportunities for positions with Purchaser or any of its Subsidiaries for which Purchaser reasonably believes such persons are qualified and shall consider any application for such positions submitted by such persons, provided, however, that any decision to offer employment to any such person shall be made in the sole discretion of Purchaser.

(j) IIBK shall take all such actions as Purchaser may reasonably request to fully and timely comply with any and all requirements of both federal Worker Adjustment and Retraining Notification Act of 1988 (**WARN Act**) and any

state-specific WARN Act statutes, including providing notices to IIBK's employees.

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5.12 Indemnification.

(a) From and after the Effective Time, Purchaser shall indemnify and hold harmless each of the current or former directors, officers or employees of IIBK or any of its Subsidiaries (each, an **Indemnified Party**), and any person who becomes an Indemnified Party between the date hereof and the Effective Time, against any costs or expenses (including reasonable attorneys' fees and expenses), judgments, fines, losses, claims, damages or liabilities and amounts paid in settlement incurred in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, based in whole or in part on, or arising in whole or in part out of, or pertaining to (i) the fact that he or she is or was a director, officer, employee or fiduciary of IIBK, any of its Subsidiaries, or the IIBK Benefit Plans or any of their respective predecessors or was prior to the Effective Time serving at the request of any such party as a director, officer, employee, trustee or partner of another corporation, partnership, trust, joint venture, employee benefit plan or other entity or (ii) any matters arising in connection with the transactions contemplated by this Agreement, to the fullest extent such Person would have been indemnified or have the right to advancement of expenses pursuant to IIBK's Articles of Incorporation and Bylaws as in effect on the date of this Agreement and as permitted by applicable law, and Purchaser shall also advance expenses as incurred to the fullest extent permitted under applicable law, *provided* that the Person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined by a court of competent jurisdiction that such Person is not entitled to indemnification.

(b) Any Indemnified Party wishing to claim indemnification under *Section 5.12(a)*, upon learning of any action, suit, proceeding or investigation described above, shall promptly notify Purchaser thereof. Any failure to so notify shall not affect the obligations of Purchaser under *Section 5.12(a)* unless and to the extent that Purchaser is actually prejudiced as a result of such failure.

(c) For a period of six (6) years following the Effective Time, Purchaser shall maintain in effect IIBK's current directors' and officers' liability insurance covering each Person currently covered by IIBK's directors' and officers' liability insurance policy with respect to claims against such Persons arising from facts or events occurring at or prior to the Effective Time; *provided, however*, that in no event shall Purchaser be required to expend in the aggregate pursuant to this *Section 5.12(c)* more than 200% of the annual premium currently paid by IIBK for such insurance and, if Purchaser is unable to maintain such policy as a result of this proviso, Purchaser shall obtain as much comparable insurance as is available by payment of such time; *provided further*, that Purchaser may (i) request that IIBK obtain an extended reporting period endorsement under IIBK's existing directors' and officers' liability insurance policy or (ii) substitute therefor tail policies the material terms of which, including coverage and amount, are no less favorable in any material respect to such Person than IIBK's existing insurance policies as of the date hereof.

(d) If Purchaser or any of its successors or assigns (i) consolidates with or merges into any other person or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) liquidates, dissolves, transfers or conveys all or substantially all of its properties and assets to any person or entity, then, and in each such case, to the extent necessary, proper provision shall be made so that such successor and assign of Purchaser and its successors and assigns assume the obligations set forth in this *Section 5.12*.

(e) The provisions of this *Section 5.12* are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party and his or her representatives.

(f) Any indemnification payments made pursuant to this *Section 5.12* are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act (12 U.S.C. 1828(k)) and the regulations promulgated thereunder by the Federal Deposit Insurance Corporation (12 C.F.R. Part 359).

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5.13 Stockholder Litigation. IIBK shall give Purchaser and Purchaser Bank the opportunity to participate at Purchaser's and Purchaser Bank's own expense in the defense or settlement of any stockholder litigation against IIBK and/or its directors relating to the transactions contemplated by this Agreement, and no such settlement shall be agreed to without Purchaser's prior written consent (such consent not to be unreasonably withheld or delayed).

5.14 Disclosure Supplements. From time to time prior to the Effective Time, IIBK, Purchaser and Purchaser Bank will promptly supplement or amend their respective Disclosure Letters delivered in connection herewith with respect to any matter hereafter arising that, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in such Disclosure Letters or that is necessary to correct any information in such Disclosure Letters that has been rendered materially inaccurate thereby. No supplement or amendment to such Disclosure Letters shall have any effect for determining satisfaction of the conditions set forth in Article VI.

5.15 Advisory Board. Purchaser Bank shall establish an advisory board to advise Purchaser on its operations in the Coeur d'Alene, Idaho market and generating additional business contacts for Purchaser Bank in such area. Jack Wynn Gustavel shall be invited to serve on the advisory board.

ARTICLE VI

CONDITIONS TO CONSUMMATION

6.1 Conditions to Each Party's Obligations. The respective obligations of each party to effect the Merger shall be subject to the satisfaction of the following conditions:

(a) *Stockholder Approval.* This Agreement shall have been approved by the requisite vote of IIBK's stockholders in accordance with applicable laws and regulations.

(b) *Regulatory Approvals.* All approvals, consents or waivers of any Governmental Entity required to permit consummation of the transactions contemplated by this Agreement, including the Merger, shall have been obtained and shall remain in full force and effect, and all statutory waiting periods shall have expired or been terminated.

(c) *No Injunctions or Restraints; Illegality.* No party hereto shall be subject to any order, decree or injunction of a court or agency of competent jurisdiction that enjoins or prohibits the consummation of the Merger and no Governmental Entity shall have instituted any proceeding to enjoin or prohibit the consummation of the Merger or any transactions contemplated by this Agreement. No statute, rule or regulation shall have been enacted, entered, promulgated or enforced by any Governmental Entity that prohibits or makes illegal consummation of the Merger.

(d) *Third Party Consents.* Purchaser, Purchaser Bank and IIBK shall have obtained the consent or approval of each Person (other than the governmental approvals or consents referred to in *Section 6.1(b)*) whose consent or approval shall be required to consummate the transactions contemplated by this Agreement, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a Material Adverse Effect on Purchaser (after giving effect to the consummation of the transactions contemplated hereby).

(e) *Registration Statement; Blue Sky Laws.* The Registration Statement shall have been declared effective by the SEC and no proceedings shall be pending or threatened by the SEC to suspend the effectiveness of the Registration Statement, and Purchaser shall have received all required approvals by state securities or blue sky authorities with respect to the transactions contemplated by this Agreement.

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(f) *Nasdaq*. Purchaser shall have filed with The Nasdaq Stock Market LLC a notification form or application, as applicable, for the listing of all shares of Purchaser Common Stock to be delivered as Merger Consideration, and The Nasdaq Stock Market LLC shall not have objected to the listing of such shares of Purchaser Common Stock.

(g) *Tax Opinion*. Purchaser and IIBK shall have received written opinions of Luse Gorman, PC and Witherspoon Kelley, respectively, dated as of the Closing Date, in form and substance customary in transactions of the type contemplated hereby, and reasonably satisfactory to Purchaser and IIBK, as the case may be, substantially to the effect that on the basis of the facts, representations and assumptions set forth in such opinions, which are consistent with the state of facts existing at the Effective Time, (i) the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the IRC and (ii) Purchaser, Purchaser Bank and IIBK will each be a party to that reorganization within the meaning of Section 368(b) of the IRC. Such opinions may be based on, in addition to the review of such matters of fact and law as counsel considers appropriate, representations contained in certificates of officers of Purchaser, Purchaser Bank, IIBK and others.

6.2 Conditions to the Obligations of Purchaser and Purchaser Bank. The obligations of Purchaser and Purchaser Bank to effect the Merger shall be further subject to the satisfaction of the following additional conditions, any one or more of which may be waived by Purchaser and Purchaser Bank:

(a) *IIBK's Representations and Warranties*. Subject to the standard set forth in *Section 3.1*, each of the representations and warranties of IIBK contained in this Agreement and in any certificate or other writing delivered by IIBK pursuant hereto shall be true and correct at and as of the Closing Date as though made at and as of the Closing Date, except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date.

(b) *Performance of IIBK's Obligations*. IIBK shall have performed in all material respects all obligations and covenants required to be performed by it under this Agreement at or prior to the Effective Time.

(c) *Officers' Certificate*. Purchaser and Purchaser Bank shall have received a certificate signed by the chief executive officer and the chief financial or principal accounting officer of IIBK to the effect that the conditions set forth in *Sections 6.2(a)* and *(b)* have been satisfied.

(d) *No Material Adverse Effect*. Since the date of this Agreement, there shall not have occurred any Material Adverse Effect with respect to IIBK.

(e) *Burdensome Condition*. None of the approvals, consents or waivers of any Governmental Entity required to permit consummation of the transactions contemplated by this Agreement shall contain any condition or requirement that would so materially and adversely impact the economic or business benefits to Purchaser and Purchaser Bank of the transactions contemplated hereby that, had such condition or requirement been known, Purchaser and Purchaser Bank would not, in their reasonable judgment, have entered into this Agreement.

(f) *Dissenting Shares*. As of immediately prior to the Effective Time, not more than 10.0% of the issued and outstanding shares of IIBK Common Stock shall have perfected their right to dissent under the IBA in accordance with *Section 2.6* herein.

6.3 Conditions to the Obligations of IIBK. The obligations of IIBK to effect the Merger shall be further subject to the satisfaction of the following additional conditions, any one or more of which may be waived by IIBK:

(a) *Purchaser's and Purchaser Bank's Representations and Warranties*. Subject to the standard set forth in *Section 3.1*, each of the representations and warranties of Purchaser and Purchaser Bank contained in this

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Agreement and in any certificate or other writing delivered by Purchaser and Purchaser Bank pursuant hereto shall be true and correct at and as of the Closing Date as though made at and as of the Closing Date, except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date.

(b) *Performance of Purchaser's and Purchaser Bank's Obligations.* Purchaser and Purchaser Bank shall have performed in all material respects all obligations and covenants required to be performed by them under this Agreement at or prior to the Effective Time.

(c) *Officers' Certificate.* IIBK shall have received a certificate signed by the chief executive officer and the chief financial or principal accounting officer of Purchaser and Purchaser Bank to the effect that the conditions set forth in Sections 6.3(a) and (b) have been satisfied.

(d) *No Material Adverse Effect.* Since the date of this Agreement, there shall not have occurred any Material Adverse Effect with respect to Purchaser and Purchaser Bank.

ARTICLE VII

TERMINATION

7.1 Termination. This Agreement may be terminated, and the Merger abandoned, at any time prior to the Effective Time, by action taken or authorized by the Board of Directors of the terminating party, either before or after any requisite stockholder approval:

- (a) by the mutual written consent of Purchaser and IIBK; or
- (b) by either Purchaser or IIBK, in the event of the failure of IIBK's stockholders to approve the Agreement at IIBK Stockholder Meeting; *provided, however*, that IIBK shall only be entitled to terminate the Agreement pursuant to this clause if it has complied in all material respects with its obligations under Section 5.8 (subject to Section 5.8(b));
- (c) by either Purchaser or IIBK, if either (i) any approval, consent or waiver of a Governmental Entity required to permit consummation of the transactions contemplated by this Agreement shall have been denied and such denial has become final and non-appealable or (ii) any court or other Governmental Entity of competent jurisdiction shall have issued a final, unappealable order enjoining or otherwise prohibiting consummation of the transactions contemplated by this Agreement;
- (d) by either Purchaser or IIBK, if the Merger is not consummated by May 31, 2019, unless the failure to so consummate by such time is due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party set forth herein;
- (e) by either Purchaser or IIBK (provided that the party seeking termination is not then in material breach of any representation, warranty, covenant or other agreement contained herein), in the event of a breach of any covenant or agreement on the part of the other party set forth in this Agreement, or if any representation or warranty of the other party shall have become untrue, in either case such that the conditions set forth in Sections 6.2(a) and (b) or Sections 6.3(a) and (b), as the case may be, would not be satisfied and such breach or untrue representation or warranty has not been or cannot be cured within thirty (30) days following written notice to the party committing such breach or making such untrue representation or warranty;

(f) by Purchaser, if (i) IIBK shall have breached its obligations under *Section 5.1* or *Section 5.8* in any material respect or (ii) if the Board of Directors of IIBK does not publicly recommend in the Proxy Statement-Prospectus that stockholders approve and adopt this Agreement or if, after recommending in the Proxy Statement-Prospectus that stockholders approve and adopt this Agreement, the Board of Directors effects a Change of Recommendation;

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(g) by IIBK, at any time prior to the adoption and approval of this Agreement by IIBK's stockholders, to enter into an agreement with respect to a Superior Proposal, but only if (i) IIBK's Board of Directors has determined in good faith based on the advice of legal counsel that failure to take such action would cause the Board of Directors to violate its fiduciary duties under applicable law, and (ii) IIBK has not breached its obligations under *Section 5.1*.

(h) by IIBK, at any time during the five-day period commencing with the Determination Date, if both of the following conditions are satisfied:

(i) The number obtained by dividing the Average Closing Price by the Starting Price (the **Purchaser Ratio**) shall be less than 0.80; and

(ii) the Purchaser Ratio shall be less than the number obtained by subtracting 0.20 from the Index Ratio (as defined below);

subject, however, to the following three sentences. If IIBK elects to exercise its termination right pursuant to this *Section 7.1(h)*, it shall give written notice to Purchaser (provided that such notice of election to terminate may be withdrawn at any time within the aforementioned five-day period). During the five-day period commencing with its receipt of such notice, Purchaser shall have the option to increase the consideration to be received by the holders of IIBK Common Stock and IIBK Stock Options hereunder, by adjusting the Exchange Ratio (calculated to the nearest ten-thousandth) to equal a quotient of (A) the product of the Starting Price, 0.80 and the Exchange Ratio, divided by (B) the Average Closing Price. If Purchaser so elects within such five-day period, it shall give prompt written notice to IIBK of such election and the revised Exchange Ratio, whereupon no termination shall have occurred pursuant to this *Section 7.1(h)* and this Agreement shall remain in effect in accordance with its terms (except as the Exchange Ratio shall have been so modified).

For purposes of this *Section 7.1(h)* the following terms shall have the meanings indicated:

Final Index Price shall mean the average closing price of the KBW Regional Banking index as reported on The Nasdaq Stock Market, LLC (as reported at www.nasdaq.com) for the twenty (20) consecutive trading days ending on and including the Determination Date.

Index Price shall mean \$112.11, which is the closing price on the Starting Date for the KBW Regional Banking Index (as reported on www.nasdaq.com).

Index Ratio shall mean the Final Index Price divided by the Index Price.

Starting Date shall mean the third trading day prior to entry into this Agreement.

Starting Price shall mean \$45.68, which is the closing price of a share of Purchaser Common Stock on The Nasdaq Stock Market, LLC (as reported on www.nasdaq.com) on the Starting Date.

7.2 Termination Fee; Expenses.

(a) In the event of termination of this Agreement by IIBK pursuant to *Section 7.1(g)*, IIBK shall make payment to Purchaser of a termination fee of \$6,834,075.

(b) In the event of termination of this Agreement by Purchaser pursuant to *Section 7.1(f)*, so long as at the time of such termination Purchaser is not in material breach of any representation, warranty or material covenant contained

herein, IIBK shall make payment to Purchaser of a termination fee of \$6,834,075.

(c) If (i) this Agreement is terminated (A) by either party pursuant to *Section 7.1(b)* or (B) by Purchaser pursuant to *Section 7.1(e)* and the breach giving rise to such termination was knowing or intentional,

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and (ii) at the time of such termination Purchaser or Purchaser Bank is not in material breach of any representation, warranty or material covenant contained herein, and (iii) prior to the IIBK Stockholder Meeting (in the case of termination pursuant to *Section 7.1(b)*) or the date of termination (in the case of termination pursuant to *Section 7.1(e)*), an Acquisition Proposal has been publicly announced, disclosed or communicated and (iv) within twelve (12) months of such termination IIBK shall consummate or enter into any agreement with respect to the Acquisition Proposal set forth in clause (iii) of this *Section 7.2(c)*, then IIBK shall make payment to Purchaser of a termination fee of \$6,834,075.

(d) The fee payable pursuant to *Section 7.2(a) or (b)* shall be made by wire transfer of immediately available funds at the time of termination. Any fee payable pursuant to *Section 7.2(c)* shall be made by wire transfer of immediately available funds within two (2) Business Days after notice of demand for payment. IIBK, Purchaser Bank and Purchaser acknowledge that the agreements contained in this *Section 7.2* are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Purchaser and Purchaser Bank would not enter into this Agreement. The amount payable by IIBK pursuant to *Sections 7.2(a), (b) or (c)* constitutes liquidated damages and not a penalty and shall be the sole remedy of Purchaser and Purchaser Bank in the event of termination of this Agreement on the bases specified in such sections.

7.3 Effect of Termination. In the event of termination of this Agreement by either Purchaser or IIBK as provided in *Section 7.1*, this Agreement shall forthwith become void and, subject to *Section 7.2*, have no effect, and there shall be no liability on the part of any party hereto or their respective officers and directors, except that (i) *Sections 5.3(c), 7.2* and *8.6* shall survive any termination of this Agreement, and (ii) notwithstanding anything to the contrary contained in this Agreement, no party shall be relieved or released from any liabilities or damages arising out of its fraud or willful and material breach of any provision of this Agreement.

ARTICLE VIII

CERTAIN OTHER MATTERS

8.1 Interpretation. When a reference is made in this Agreement to Sections or Exhibits such reference shall be to a Section of, or Exhibit to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for ease of reference only and shall not affect the meaning or interpretation of this Agreement. Whenever the words include, includes or including are used in this Agreement, they shall be deemed followed by the words without limitation. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Any reference to gender in this Agreement shall be deemed to include any other gender.

8.2 Survival. Only those agreements and covenants of the parties that are by their terms applicable in whole or in part after the Effective Time, including *Section 5.12* of this Agreement, shall survive the Effective Time. All other representations, warranties, agreements and covenants shall be deemed to be conditions of the Agreement and shall not survive the Effective Time.

8.3 Waiver; Amendment. Prior to the Effective Time, any provision of this Agreement may be: (i) waived in writing by the party benefited by the provision or (ii) amended or modified at any time (including the structure of the transaction) by an agreement in writing between the parties hereto except that, after the vote by the stockholders of IIBK, no amendment or modification may be made that would reduce the amount or alter or change the kind of consideration to be received by holders of IIBK Common Stock or that would contravene any provision of the MBA or the applicable state and federal banking laws, rules and regulations.

8.4 Counterparts. This Agreement may be executed in counterparts each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same instrument. A facsimile or other electronic copy of a signature page shall be deemed to be an original signature page.

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8.5 Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Montana, without regard to conflicts of laws principles.

8.6 Expenses. Each party hereto will bear all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby.

8.7 Notices. All notices and other communications in connection with this Agreement shall be in writing and shall be deemed given if delivered personally, sent via facsimile (with confirmation), by email, by registered or certified mail (return receipt requested) or by commercial overnight delivery service, or delivered by an express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to Purchaser or Purchaser Bank, to:

First Interstate BancSystem, Inc.

First Interstate Bank

401 North 31st Street

Billings, Montana 59116

Facsimile: (406) 255-5350
Attention: Kevin P. Riley
President and Chief Executive Officer
Email: Kevin.Riley@fib.com

With copies to:

First Interstate BancSystem, Inc.

First Interstate Bank

401 North 31st Street

Billings, Montana 59116

Facsimile: (406) 255-5350
Attention: Kirk D. Jensen
General Counsel
Email: Kirk.Jensen@fib.com

Luse Gorman, PC

5335 Wisconsin Avenue, NW, Suite 780

Washington, DC 20015

Facsimile: (202) 362-2902
Attention: Scott A. Brown

Edgar Filing: Main Street Capital CORP - Form 10-Q

Email: Lawrence M.F. Spaccasi
sbrown@luselaw.com
lspaccasi@luselaw.com

If to IIBK, to:

Idaho Independent Bank

1260 W. Riverstone Drive

Coeur d'Alene, Idaho 83814

Facsimile: (208) 947-1159
Attention: Kurt R. Gustavel
President and Chief Executive Officer
Email: Kurt.Gustavel@iibk.net

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With copies to:

Witherspoon Kelley

422 W. Riverside Avenue, Suite 1100

Spokane, Washington 99201

Facsimile: (509) 458-2728
Attention: Richard A. Repp
Email: rar@witherspoonkelley.com

8.8 Entire Agreement; etc. This Agreement, together with the Exhibits and Disclosure Letters hereto, represents the entire understanding of the parties hereto with reference to the transactions contemplated hereby and supersedes any and all other oral or written agreements heretofore made, except for that certain non-disclosure agreement by and between IIBK and Purchaser, dated July 12, 2018 which shall remain in full effect pursuant to its terms. Except for *Section 5.12*, which confers rights on the parties described therein, nothing in this Agreement is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement, including the right to rely upon the representations and warranties set forth herein. The representations and warranties in this Agreement are the product of negotiations among the parties hereto and are for the sole benefit of the parties. Any inaccuracies in such representations and warranties are subject to waiver by the parties hereto in accordance herewith without notice or liability to any other Person. In some instances, the representations and warranties in this Agreement may represent an allocation among the parties hereto of risks associated with particular matters regardless of the Knowledge of any of the parties hereto. Consequently, Persons other than the parties may not rely upon the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

8.9 Successors and Assigns; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that this Agreement may not be assigned by any party hereto without the prior written consent of the other parties.

8.10 Severability. If any one or more provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, by any court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement and the parties shall use their reasonable efforts to substitute a valid, legal and enforceable provision that, insofar as practical, implements the purposes and intents of this Agreement.

8.11 Specific Performance. The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and, accordingly, that the parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof (including the parties' obligation to consummate the Merger), in addition to any other remedy to which they are entitled at law or in equity. Each of the parties hereby further waives (a) any defense in any action for specific performance that a remedy at law would be adequate and (b) any requirement under any law to post security or a bond as a prerequisite to obtaining equitable relief.

8.12 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW AT THE TIME OF INSTITUTION

OF THE APPLICABLE LITIGATION, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT: (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED,

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EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE RESPECTIVE WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.12.

8.13 Delivery by Facsimile or Electronic Transmission. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments or waivers hereto or thereto, to the extent signed and delivered by means of a facsimile machine or by e-mail delivery of a .pdf format data file, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in Person. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or e-mail delivery of a .pdf format data file to deliver a signature to this Agreement or any amendment hereto or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a .pdf format data file as a defense to the formation of a contract and each party hereto forever waives any such defense.

[Signature page follows]

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In Witness Whereof, the parties hereto have caused this Agreement and Plan of Merger to be executed by their duly authorized officers as of the date first above written.

First Interstate BancSystem, Inc.

By: /s/ Kevin P. Riley
Kevin P. Riley
President and Chief Executive Officer

First Interstate Bank

By: /s/ Kevin P. Riley
Kevin P. Riley
President and Chief Executive Officer

Idaho Independent Bank

By: /s/ Kurt R. Gustavel
Kurt R. Gustavel
President and Chief Executive Officer

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ANNEX B

TITLE 26

BANKS AND BANKING

CHAPTER 9

CONSOLIDATION, SALE AND REORGANIZATION

26-909. DISSENTING STOCKHOLDERS. (1) A dissenting stockholder of a state bank shall be entitled to receive the value in cash of only those shares which were voted against a merger to result in a state bank, against the conversion of a state bank into a national bank or against a sale of all or substantially all of the state bank's assets, and only if written demand thereupon is made to the resulting state or national bank at any time within thirty (30) days after the effective date of the merger or conversion accompanied by the surrender of the stock certificates. The value of such shares will be determined, as of the date of the stockholders' meeting approving the merger or conversion, by three (3) appraisers, one (1) to be selected by the vote of the owners of two-thirds (2/3) of the shares involved at a meeting called by the director on ten (10) days' notice, one (1) by the board of directors of the resulting state or national bank, and the third by the two (2) so chosen. The valuation agreed upon by any two (2) appraisers shall govern. If any necessary appraiser is not appointed within sixty (60) days after the effective date of the merger or conversion, the director shall make the necessary appointment, or if the appraisal is not completed within ninety (90) days after the merger or conversion becomes effective, the director shall cause an appraisal to be made.

(2) The merger agreement may fix an amount which the merging banks consider to be the fair market value of the shares of a merging or a converting bank at the time of the stockholders' meeting approving the merger or conversion, which the resulting bank will pay dissenting stockholders of that bank entitled to payment in cash. The amount due under such accepted offer or under the appraisal shall constitute a debt of the resulting state or national bank.

(3) The expenses of appraisal shall be paid by the resulting state bank except when the value fixed by the appraiser does not exceed the value fixed by the merger agreement in which case one-half (1/2) of the expenses shall be paid by the resulting bank and one-half (1/2) by the dissenting stockholders requesting the appraisal in proportion to their respective holdings.

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ANNEX C

October 11, 2018

Board of Directors

Idaho Independent Bank

1260 West Riverstone Drive

Coeur d'Alene, ID 83814

Ladies and Gentlemen:

Idaho Independent Bank (IIB), First Interstate BancSystem, Inc. (Purchaser) and First Interstate Bank (Purchaser Bank) are proposing to enter into an Agreement and Plan of Merger (the Agreement) pursuant to which IIB will, subject to the terms and conditions set forth in the Agreement, merge with and into Purchaser Bank with Purchaser Bank being the surviving entity (the Merger). Pursuant to the terms and conditions of the Agreement, at the Effective Time, each share of IIB's common stock, par value \$5.00 per share (IIB Common Stock), issued and outstanding immediately prior to the Effective Time, except for certain shares of IIB Common Stock as specified in the Agreement, will be converted into and exchanged for the right to receive 0.50 shares (the Exchange Ratio) of Purchaser Class A common stock, no par value (Purchaser Common Stock). Capitalized terms used herein without definition shall have the meanings assigned to them in the Agreement. The terms and conditions of the Merger are more fully set forth in the Agreement. You have requested our opinion as to the fairness, from a financial point of view, of the Exchange Ratio to the holders of IIB Common Stock.

Sandler O'Neill & Partners, L.P. (Sandler O'Neill , we or our), as part of its investment banking business, is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. In connection with this opinion, we have reviewed and considered, among other things: (i) a draft of the Agreement, dated October 11, 2018; (ii) certain publicly available financial statements and other historical financial information of IIB that we deemed relevant; (iii) certain publicly available financial statements and other historical financial information of Purchaser and Purchaser Bank that we deemed relevant; (iv) certain internal financial projections for IIB for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of IIB, as well as an estimated dividend payout ratio for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of IIB; (v) publicly available mean analyst net income estimates for Purchaser for the years ending December 31, 2018 through December 31, 2020, as well as a long-term net income growth rate for the years thereafter and annual dividends per share for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of Purchaser; (vi) the pro forma financial impact of the Merger on Purchaser based on certain assumptions relating to purchase accounting adjustments, cost savings and transaction expenses, as provided by the senior management of Purchaser (collectively, the Pro Forma Assumptions); (vii) the publicly reported historical price and trading activity for IIB Common Stock and Purchaser Common Stock, including a comparison of certain stock market information for IIB Common Stock and Purchaser Common Stock and certain stock indices as well as publicly available information for certain other

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similar companies, the securities of which are publicly traded; (viii) a comparison of certain financial information for IIB and Purchaser with similar financial institutions for which information is publicly available; (ix) the financial terms of certain recent business combinations in the banking industry (on a nationwide basis), to the extent publicly available; (x) the current market environment generally and the banking environment in particular; and (xi) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant. We also discussed with certain members of the senior management of IIB the business, financial condition, results of operations and prospects of IIB and held similar discussions with certain members of the management of Purchaser and regarding the business, financial condition, results of operations and prospects of Purchaser.

In performing our review, we have relied upon the accuracy and completeness of all of the financial and other information that was available to and reviewed by us from public sources, that was provided to us by IIB or Purchaser or their respective representatives, or that was otherwise reviewed by us, and we have assumed such accuracy and completeness for purposes of rendering this opinion without any independent verification or investigation. We have relied on the assurances of the respective managements of IIB and Purchaser that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. We have not been asked to and have not undertaken an independent verification of any of such information and we do not assume any responsibility or liability for the accuracy or completeness thereof. We did not make an independent evaluation or perform an appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of IIB or Purchaser or any of their respective subsidiaries, nor have we been furnished with any such evaluations or appraisals. We render no opinion or evaluation on the collectability of any assets or the future performance of any loans of IIB or Purchaser. We did not make an independent evaluation of the adequacy of the allowance for loan losses of IIB or Purchaser, or of the combined entity after the Merger, and we have not reviewed any individual credit files relating to IIB or Purchaser. We have assumed, with your consent, that the respective allowances for loan losses for both IIB and Purchaser are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler O'Neill used certain internal financial projections for IIB for the years ending December 31, 2018 through December 31, 2022, as provided by the senior management of IIB, as well as an estimated dividend payout ratio for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of IIB. In addition, Sandler O'Neill used publicly available mean analyst net income estimates for Purchaser for the years ending December 31, 2018 through December 31, 2020, as well as a long-term net income growth rate for the years thereafter and annual dividends per share for the years ending December 31, 2018 through December 31, 2022, as directed by the senior management of Purchaser. Sandler O'Neill also received and used in its pro forma analyses the Pro Forma Assumptions, as provided by the senior management of Purchaser. With respect to the foregoing information, the respective senior managements of IIB and Purchaser confirmed to us that such information reflected (or, in the case of the publicly available analyst estimates referred to above, were consistent with) the best currently available projections, estimates and judgments of those respective managements as to the future financial performance of IIB and Purchaser, respectively, and the other matters covered thereby, and we assumed that the future financial performance reflected in such information would be achieved. We express no opinion as to such information, or the assumptions on which such information is based. We have also assumed that there has been no material change in the respective assets, financial condition, results of operations, business or prospects of IIB or Purchaser since the date of the most recent financial statements made available to us. We have assumed in all respects material to our analysis that IIB and Purchaser will remain as going concerns for all periods relevant to our analysis.

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We have also assumed, with your consent, that (i) each of the parties to the Agreement will comply in all material respects with all material terms and conditions of the Agreement and all related agreements, that all of the representations and warranties contained in such agreements are true and correct in all material respects, that each of the parties to such agreements will perform in all material respects all of the covenants and other obligations required to be performed by such party under such agreements and that the conditions precedent in such agreements are not and will not be waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the Merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on IIB, Purchaser, the Merger or any related transactions, and (iii) the Merger and any related transactions will be consummated in accordance with the terms of the Agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements. Finally, with your consent, we have relied upon the advice that IIB has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Agreement. We express no opinion as to any such matters.

Our opinion is necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof could materially affect this opinion. We have not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. We express no opinion as to the trading value of IIB Common Stock or Purchaser Common Stock at any time or what the value of Purchaser Common Stock will be once it is actually received by the holders of IIB Common Stock.

We have acted as IIB's financial advisor in connection with the Merger and will receive a fee for our services, a significant portion of which is contingent upon closing of the Merger. We will also receive a fee for rendering this opinion, which opinion fee will be credited in full towards the portion of the transaction fee which will become payable to Sandler O'Neill on the day of closing of the Merger. IIB has also agreed to indemnify us against certain claims and liabilities arising out of our engagement. In the two years preceding the date hereof we have not provided any other investment banking services to IIB. As we have previously advised the senior management of IIB, Sandler O'Neill has provided certain investment banking services to Purchaser in the two years preceding the date hereof. Most recently, Sandler O'Neill acted as financial advisor in connection with Purchaser's acquisition of Northwest Bancorporation, Inc., which transaction closed in August 2018. In the ordinary course of our business as a broker-dealer, we may purchase securities from and sell securities to IIB, Purchaser and their respective affiliates. We may also actively trade the equity and debt securities of IIB, Purchaser and their respective affiliates for our own account and for the accounts of our customers.

Our opinion is directed to the Board of Directors of IIB in connection with its consideration of the Agreement and the Merger and does not constitute a recommendation to any shareholder of IIB as to how any such shareholder should vote at any meeting of shareholders called to consider and vote upon the approval of the Agreement and the Merger. Our opinion is directed only to the fairness, from a financial point of view, of the Exchange Ratio to the holders of IIB Common Stock and does not address the underlying business decision of IIB to engage in the Merger, the form or structure of the Merger or any other transactions contemplated in the Agreement, the relative merits of the Merger as compared to any other alternative transactions or business strategies that might exist for IIB or the effect of any other transaction in which IIB might engage. We also do not express any opinion as to the fairness of the amount or nature of the compensation to be received in the Merger by any officer, director or employee of IIB or Purchaser, or any class of such persons, if any, relative to

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the compensation to be received in the Merger by any other shareholder. This opinion has been approved by Sandler O'Neill's fairness opinion committee. This opinion may not be reproduced without Sandler O'Neill's prior written consent; *provided*, however, Sandler O'Neill will provide its consent for the opinion to be included in regulatory filings to be completed in connection with the Merger.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Exchange Ratio is fair to holders of IIB Common Stock from a financial point of view.

Very truly yours,

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