

No. _____

Confidential Private Placement Memorandum

AMERICAN PACIFIC BANCORP, INC.

Offering: 2,500,000 Class A Common Shares

Subscription Price: \$6.00 Per Share

For Each Class A Common Share Purchased Pursuant to this Offering, the Purchaser shall receive one share of American Pacific Bancorp, Inc.'s Series A 5% Cumulative Perpetual Preferred Stock

FOR ACCREDITED INVESTORS ONLY

The information in this Confidential Private Placement Memorandum (this "Memorandum") is confidential and proprietary to American Pacific Bancorp, Inc. and is being submitted to you solely for your confidential use and with the explicit understanding that, without the prior written permission of American Pacific Bancorp, Inc., you will not release this Memorandum or discuss this Memorandum, its existence, or any of the information contained herein, or make any reproduction of or use this Memorandum for any purpose other than to evaluate a potential investment in the Units offered hereby.

The date of this Memorandum is March 7, 2020.

Information and analysis contained herein is as of the date hereof and remains subject to change.

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CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

AMERICAN PACIFIC BANCORP, INC.

Offering 2,500,000 Class A Common Shares

Subscription Price of \$6.00 Per Share

For Each Class A Common Share Purchased Pursuant to this Offering, the Purchaser shall receive one share of American Pacific Bancorp, Inc.'s Series A 5% Cumulative Perpetual Preferred Stock

American Pacific Bancorp, Inc. (the “Company”, “American Pacific”, “we”, “us” or “our”) is a Texas corporation. We are offering up to 2,500,000 Class A common shares, \$0.01 par value, of American Pacific and for each share of Class A common shares (the “Class A Common Share”) purchased pursuant to this Offering, the purchaser shall receive one share of the American Pacific Series A 5% Cumulative Perpetual Preferred stock (the “Perpetual Preferred”). Hereinafter the American Pacific Class A common share and the American Pacific Perpetual Preferred Stock shall be collectively referred to as a “Unit”. The Units are being offered at a price of \$6.00 per Unit on a best efforts basis. This Offering is being made accredited investors pursuant to and Regulation D, of the Securities Act of 1933, as amended. The term “accredited investor” is defined under Section 501(a) of Regulation D, and the offer to accredited investors is being made pursuant to Section 506(c) of Regulation D. We are offering the Units to our existing stockholders and to individuals who are not our stockholders. The offering is expected to commence on or about March 9, 2020 and terminate on the date six months from the commencement date. This Offering will have multiple closings. We may, in our sole discretion, determine when to conduct the initial closing or whether to extend the offering without notice to investors. In such event, we would then continue the offering until the earlier of (i) the maximum of the offering, or (ii) the Offering Expiration Date.

American Pacific is a for-profit corporation, organized for the purposes of being a bank holding company, focused on (i) acquiring equity investments in bank(s) or other bank holding companies, and (ii) establishing or acquiring subsidiaries that engage in nonbanking activities closely related to banking, including mortgage banking, trust company, banking technology, loan servicing, leasing, problem asset management, real estate appraisal, certain real estate title insurance related activities, financial and investment advisory activities, management consulting, and advisory capital raising services. The Company is seeking to raise capital, including from accredited investors, to support its business plan and acquire certain businesses.

The Perpetual Preferred stock is defined further in this Offering Memorandum under the Heading “The Perpetual Preferred Stock”. Among other rights and obligations, holders of the Perpetual Preferred stock will receive:

- Annual five percent (5%) dividends paid semi-annually

PLACEMENT AGENT SUMMARY

The Company has engaged WestPark Capital (“WestPark”) as placement agent under a best efforts basis. The Offering is subject to (i) satisfactory completion of WestPark’s due diligence; (ii) mutual agreement on the valuation and pricing of securities to be offered; and (iii) approval of all matters relating to the offering by WestPark legal counsel. The Company will pay WestPark fees of nine percent (9%) of the amount raised. The Company will also sell to WestPark (or its designees) a number of warrants to purchase ten percent (10%) of the Class A Common Share sold in this Offering. These warrants will expire five (5) years after issuance and have an exercise price of \$6.00 per Class A Common Share. The shares underlying the warrants will have piggyback registration rights. The Company shall pay WestPark’s expenses and costs related to the Offering, including but not limited to travel costs and legal fees of which \$15,000 has already been paid, and a non-accountable expense allowance of one percent (1%) of the amount raised. The Company also agrees to indemnify WestPark from all claims in connection with the Offering, including but not limited to a breach of the placement agreement or any representation or warranty made by the Company.

SUBSCRIPTION SUMMARY

To subscribe to purchase the Units offered hereby, qualifying investors must deliver an executed Subscription Agreement with the completed appendices thereto, enclosed herewith as Exhibit A (the "Subscription Documents") to the Company on or before 5:00 p.m., Central Time on August 31, 2020.

Once the Company has received the Subscription Documents, such Subscription Documents may not be revoked. The Company plans on conducting an initial closing of the Offering as soon as the Company believes that it has received substantial investment and if this offering is oversubscribed, we reserve the right to increase the maximum offering. Although the Offering is scheduled to expire on June 30, 2020 (the "Offering Expiration Date"), the Company may, in its sole discretion, conduct one or more additional closings of the Offering following the initial closing and prior to the Offering Expiration Date. The Company reserves the right to amend the date for receiving Subscription Documents and for terminating the Offering.

Investors are not required to submit payment for Units when they submit the Subscription Documents. Rather, the Company will deliver notice to subscribers calling for payment of their subscription proceeds within seven (7) business days (such notice, the "Payment Notice") following delivery of the Payment Notice. The Payment Notice will include instructions for delivery of such proceeds to a specified non-interest bearing escrow account at a financial institution (the "Escrow Agent") set forth in the Payment Notice (the "Offering Account").

You must subscribe to purchase a minimum of 16,667 Units (\$100,002) in this Offering. The Company may waive the minimum subscription amount in its sole discretion. The Company reserves the right in its sole discretion to increase the maximum number of Units for sale in this Offering by up to an additional 20%, or 500,000 Units. The Company reserves the right to reject, in whole or in part, any subscription for its Units and to withdraw this Offering.

This Offering has not been registered under the Securities Act of 1933, as amended ("Securities Act"), in reliance upon exemptions from the registration requirements thereof, including Regulation D and Rule 506(c) promulgated thereunder, and has not been registered under any state securities laws in reliance upon exemptions from the registration requirements thereof. Since this Offering is not presently being registered under federal, state or foreign laws, any shares purchased are subject to certain transfer restrictions absent subsequent registration under or an exemption from registration under the Securities Act or applicable state or foreign securities laws, as described herein. Therefore, a holder of the Units must be able to bear the economic risks of the investment for an indefinite period of time.

An investment in the Company's Units involves risks. Prospective investors should carefully read the "*Risk Factors*" section beginning on page 13 for a discussion of certain factors that should be considered in making an investment in the Units.

The Units offered by this Memorandum are not deposits or other obligations of any bank or savings association and are not insured or guaranteed by the FDIC or other governmental agency. The Units offered by this Memorandum have not been approved or disapproved, and the completeness and accuracy of the disclosures in this Memorandum have not been passed upon, by the Securities and Exchange Commission (the "SEC"), any state securities commission, the IRS, the FDIC or any other regulatory body. Any representation to the contrary is a criminal offense.

The following table summarizes the commissions that the Company will pay to its placement agent, assuming all of the shares are sold through the placement agent, and the net proceeds that the Company expects to receive from this Offering:

	Per Share Minimum Individual Investment	Total Minimum Individual Investment	Maximum	Total Maximum Gross Proceeds
Subscription Price	\$6.00	\$100,002	***	\$15,000,000
Placement Agent Fees, before	\$0.54	\$9000.18	\$1,350,000	\$15,000,000

expenses. (1)				
Proceeds to the Company ⁽²⁾⁽³⁾	\$5.46	\$91,001.82	\$13,650,000	\$15,000,000

(1) For the purposes of the above table, the Company assumes a placement agent fee of 9% of the gross proceeds applies to all subscriptions.

(2) Before deducting expenses related to the Offering, including but not limited to legal, accounting, salaries, marketing, and consulting fees and other costs associated with the Offering, estimated to be no more than \$100,000.

(3) The Company has agreed to pay the Placement Agent (a) a retainer of \$25,000 for agreeing to act as a placement agent of which \$15,000.00 has been paid, (b) \$25,000 for the Placement Agent's legal fees of which \$0.00 has been paid, and (c) a non-accountable expense allowance equal to 1% of the aggregate offering price of the Units sold in the Offering. In addition, the Placement Agent will receive a five-year warrant to purchase a number of Class A Common Shares sold in the Offering with an exercise price of \$6.00 per warrant.

In connection with the Offering including conformity to applicable exemptions from registration, the placement agent may distribute offering documents to prospective purchasers electronically. Furthermore, information including this Offering document may be in electronic format and made available by e-mail and/or on websites or through secure cloud-based folders maintained by the placement agent or the Company.

A prospective purchaser can submit a completed Subscription Agreement pursuant to Exhibit A hereto. In the event that the Offering is oversubscribed, the Company and the Placement Agent shall agree on the allocation of the investment orders, based upon time of receipt of a completed Subscription Agreement and review and acceptance by the Company.

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DISCLAIMER

The information contained herein has been prepared to assist interested parties in making their own evaluation of the Company and does not purport to be all-inclusive or to contain all information that a prospective party may desire or that may be required in order to properly evaluate the business, prospects or value of the Company. In making an investment decision, prospective investors must rely on their own examination and analysis of the Company, the terms of this Offering, including the risks involved, and the data set forth in this Memorandum. Each prospective investor should consult his own attorney, accountant, business advisor and tax advisor as to the legal, business, tax and other related matters concerning this Offering and an investment in the securities offered hereunder.

Neither the Company nor its affiliates makes any representation or warranty (expressed or implied) as to the accuracy or completeness of this Memorandum or any statements, estimates or projections contained herein and none of them will have any liability for the recipient's use of this Memorandum or any other oral, written or other communications transmitted to the recipient in the course of its evaluation of the Company. The statements in this Memorandum are made as of the date set forth on the cover page of this Memorandum, unless another time is specified. Neither the delivery of this Memorandum nor any sale hereunder shall create, under any circumstances, an implication that there has been no change in the facts set forth herein or the affairs of the Company since the date hereof.

This Memorandum contains certain statements, estimates and projected financial information that reflects anticipated future results based upon assumptions that are inherently uncertain, including assumptions as to the size of the market in which it competes, its market share, general industry conditions and other factors. The assumptions are dependent on many factors over which the Company has no control. The Company does not intend to update the projected information. As a result, no representation or warranty is made as to the feasibility of the projected financial information or completeness of the assumptions from which the projected financial information is derived. There can be no assurance that the projections or any business plan will be realized; it can be expected that actual results will vary from those set forth in the projections, and it is possible that the variations may be material and adverse.

THE SECURITIES OFFERED HEREBY CONSTITUTE A SPECULATIVE INVESTMENT, INVOLVE A HIGH DEGREE OF RISK AND SHOULD NOT BE PURCHASED BY ANYONE WHO DOES NOT SATISFY THE SUITABILITY STANDARDS SET FORTH HEREIN. ACCORDINGLY, NO PERSON SHOULD INVEST WHO IS NOT IN A POSITION TO LOSE HIS OR HER ENTIRE INVESTMENT.

DELIVERY OF THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION.

NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS WITH RESPECT TO THE SECURITIES OFFERED HEREBY OTHER THAN THE REPRESENTATIONS CONTAINED HEREIN. ANY INFORMATION OTHER THAN THAT CONTAINED HEREIN OR IN DOCUMENTS FURNISHED BY THE COMPANY AS CONTEMPLATED HEREIN OR UPON REQUEST MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

THE TEXT OF THIS MEMORANDUM AND ITS EXHIBITS DESCRIBE IN DETAIL NUMEROUS ASPECTS OF THE COMPANY THAT ARE MATERIAL TO POTENTIAL INVESTORS. THIS MEMORANDUM AND ITS EXHIBITS SHOULD BE READ AND UNDERSTOOD IN THEIR ENTIRETY BY PROSPECTIVE INVESTORS.

A SUBSCRIPTION FOR THE UNITS OFFERED HEREBY WILL BE SUBJECT TO THE PROVISIONS OF THE SUBSCRIPTION DOCUMENTS TO BE ENTERED INTO BY THE COMPANY AND THE PROSPECTIVE PURCHASERS OF THE UNITS. THE SUBSCRIPTION AGREEMENT CONTAINS CERTAIN REPRESENTATIONS, WARRANTIES, TERMS AND

CONDITIONS. ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE UNITS SHOULD BE MADE ONLY AFTER A CAREFUL REVIEW OF THE SUBSCRIPTION DOCUMENTS AND THIS MEMORANDUM. THE COMPANY HAS THE SOLE AND ABSOLUTE RIGHT TO REJECT ANY SUBSCRIPTION AND TO WITHDRAW, CANCEL, TERMINATE OR MODIFY THE OFFERING. NO SUBSCRIPTION IS BINDING ON THE COMPANY UNTIL THE COMPANY ACCEPTS IT.

THIS MEMORANDUM CONTAINS SUMMARIES OF CERTAIN DOCUMENTS RELATING TO AN INVESTMENT IN THE UNITS AS WELL AS OF VARIOUS PROVISIONS OF RELEVANT STATUTES AND REGULATIONS. WHILE THE COMPANY BELIEVES THAT THE SUMMARIES ARE FAIR STATEMENTS OF SUCH DOCUMENTS, STATUTES AND REGULATIONS, THE SUMMARIES DO NOT PURPORT TO BE COMPLETE AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE TEXTS OF THE ORIGINAL DOCUMENTS, STATUTES AND REGULATIONS.

PROSPECTIVE PURCHASERS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS INVESTMENT, LEGAL OR TAX ADVICE. EACH PROSPECTIVE PURCHASER SHOULD CONSULT HIS OR HER OWN LEGAL COUNSEL, ACCOUNTANTS, BUSINESS ADVISORS AND TAX ADVISORS AS TO THE LEGAL, TAX, BUSINESS AND FINANCIAL ASPECTS OF AN ADDITIONAL INVESTMENT IN THE UNITS.

YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS MEMORANDUM IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE OF THIS MEMORANDUM OR AN EARLIER DATE SPECIFIED HEREIN. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR THE PURCHASE OF ANY OF THE COMMON SHARES OFFERED HEREBY WILL, UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE OF THIS MEMORANDUM OR AN EARLIER DATE SPECIFIED HEREIN.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF THE COMPANY'S PROSPECTIVE PURCHASERS IN CONNECTION WITH THE OFFERING AND MAY NOT BE REPRODUCED IN WHOLE OR IN PART OR USED FOR ANY OTHER PURPOSE. ANY DISTRIBUTION OF THIS MEMORANDUM TO ANYONE OTHER THAN THE RECIPIENT OF THE MEMORANDUM IS UNAUTHORIZED WITHOUT THE WRITTEN CONSENT OF THE COMPANY, AND ANY ACTION TAKEN BY ANY PERSON THAT IS CONTRARY TO THESE RESTRICTIONS MAY PLACE THAT PERSON AND THE COMPANY IN VIOLATION OF APPLICABLE SECURITIES LAWS. ANY PROSPECTIVE PURCHASERS, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREE TO RETURN THIS MEMORANDUM AND ALL ACCOMPANYING OR RELATED DOCUMENTS TO THE COMPANY UPON REQUEST IF SUCH PERSON DOES NOT ACQUIRE ANY OF THE UNITS OFFERED BY THIS MEMORANDUM.

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EXECUTIVE SUMMARY

The following summary highlights selected information from this Memorandum and may not contain all of the information that is important to you. This summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Memorandum. As used in this Memorandum, the terms, "Company," "American Pacific," "APB", "we," "us," and "our" refer to American Pacific Bancorp, Inc. You should carefully read the entire Memorandum before making a decision to invest in the Units, including the risks of purchasing such securities under the "Risk Factors" section.

The Company:

American Pacific Bancorp, Inc.

American Pacific is a for-profit Texas corporation, organized for the purposes of being a bank holding company, focused on (i) acquiring equity investments in bank(s) or other bank holding companies, and (ii) establishing or acquiring subsidiaries that engage in nonbanking activities closely related to banking, including mortgage banking, trust company, banking technology, loan servicing, leasing, problem asset management, real estate appraisal, certain real estate title insurance related activities, financial and investment advisory activities, management consulting, and advisory capital raising services. The Company is seeking to raise capital, including from accredited investors, to support its business plan and acquire certain businesses.

Our Vision:

American Pacific is managed by a team of bankers and entrepreneurs whose shared vision is to build a robust, integrated technologically advanced bank holding company. We envision establishing a unique, customer-centric, globally focused entity that provides banking services through digital channels.

Our vision for the Company is to also build banking relationships and invest in community banks by acquiring equity positions and investing in their future. We want to provide our community banks and their customers with the resources, products and capital to help them succeed, which will add to our own success. Further, we plan to provide an array of mobile technology products, banking related services and a digital platform to our customers, our community banks and their customers. We will build a network of banking services and community banks that will open new and previously unavailable customer markets for them and provide them with products to expand their resources and increase profitability.

Technology is revolutionizing the global banking and micro-payment industry and expanding the gulf between the "haves" and the "have-nots". Our vision is to offer a solution to those community banks who are currently the "have-nots." We want to provide them access to cutting-edge banking technologies and global mobile banking apps that will reduce transaction costs, improve operational efficiencies and increase customer engagement and retention.

In addition, we will provide banks with capital to meet asset growth, improve products and services, and invest in digital technology. We will offer a one-stop solution for the small to midsize community banks for their capital and technological needs.

Current Assets:

OptimumBank Holdings, Inc.

OptimumBank Holdings, Inc. is a Florida corporation ("OBH") formed in 2004 as a bank holding company for OptimumBank ("OptimumBank"). OBH's only business is the ownership and operation of OptimumBank and OptimumBank's subsidiaries. OptimumBank is a Florida state chartered bank established in 2000, with deposits insured by the Federal Deposit Insurance Corporation ("FDIC"). OptimumBank offers a variety of community banking services to individual and corporate customers through its three banking offices located in Broward County, Florida. American Pacific owns 92,980 shares of common stock of OBH representing 3.2% of the 2,853,171 outstanding shares of OBH.

OBH is subject to the supervision and regulation of the Board of Governors of the Federal Reserve System (the “Federal Reserve”). OptimumBank is subject to the supervision and regulation of the State of Florida Office of Financial Regulation (“OFR”) and the FDIC. OptimumBank is a member of the Federal Home Loan Bank of Atlanta.

As of September 30, 2019, OBH had total assets of \$119.3 million, net loans of \$92.1 million, total deposits of \$93.3 million and stockholders’ equity of \$4.8 million. For the nine month period ended September 30, 2019, OPHC had net loss of \$856,000.

In addition to American Pacific’s ownership in OPH, Mr. Chan Heng Fai, the majority shareholder and Chairman of the Board of Directors of American Pacific, individually and additionally owns 11,500 shares of common stock of OptimumBank Holdings, Inc., bringing the OptimumBank Holdings common shares under his control to 104,480 or 5.6%. On June 26, 2018, Mr. Chan was appointed to the Board of Directors of OptimumBank Holdings, Inc.

Between February 9, 2016 and March 17, 2016, Mr. Chan purchased 11,500 shares of the Company’s common stock through a broker for a total of \$48,822.42. On June 7, 2016, Mr. Chan purchased 92,980 shares directly from the Company for \$4.04 per share, for a total purchase price of \$375,639.20. On April 16, 2019, Mr. Chan transferred 92,980 shares to American Pacific, in exchange for 1,906,090 shares of the common stock of American Pacific.

OptimumBank Products

OptimumBank’s revenues are primarily derived from interest on, and fees received in connection with, real estate and other loans, and from interest from securities and short-term investments. The principal sources of funds for OptimumBank’s lending activities are deposits, borrowings, repayment of loans, and the repayment, or maturity of investment securities. OptimumBank’s principal expenses are the interest paid on deposits, and operating and general administrative expenses.

As is the case with banking institutions generally, OptimumBank’s operations are materially and significantly influenced by general economic conditions and by related monetary and fiscal policies of financial institution regulatory agencies, including the Federal Reserve and the FDIC. Deposit flows and costs of funds are influenced by interest rates on competing investments and general market rates of interest. Lending activities are affected by the demand for financing of real estate and other types of loans, which in turn is affected by the interest rates at which such financing may be offered and other factors affecting local demand and availability of funds. OptimumBank faces strong competition attracting deposits (its primary source of lendable funds) and originating loans.

OptimumBank provides a range of consumer and commercial banking services to individuals and businesses. The basic services offered include: demand interest-bearing and noninterest-bearing accounts, money market deposit accounts, NOW accounts, time deposits, Visa debit and ATM cards, cash management, direct deposits, notary services, money orders, night depository, cashier’s checks, domestic collections, and banking by mail. OptimumBank makes commercial real estate loans and consumer loans. OptimumBank offers business lending lines for working capital needs. Growing businesses can use the loans to expand inventory, take discounts, offset receivables, or establish new structured financing and repayment plans that are consistent with the cash flow of the business. OptimumBank provides ATM cards and Visa debit cards, as a part of the Star, Presto and Cirrus networks, thereby permitting customers to utilize the convenience of ATMs worldwide. OptimumBank does not have trust powers and provides no trust services.

Assets Under Acquisition/Merger Agreement:

Acquisition of Main Street Bancshares, Inc.

On December 19, 2019, APB entered into a Merger Agreement with Main Street Bancshares, Inc. (“Main Street”), Grand Rivers Community Bank, an Illinois bank (“Grand Rivers”), and Kotner Title & Abstract. At the closing of this Merger Agreement, APB will acquire 100% of common stock of Main Street Bancshares, Inc. and at that time Main Street Bancshares, Inc. shall become a wholly-owned subsidiary of APB (the “Merger”). As a result of this Merger, APB, via its ownership of Main Street shall also become the sole owner of Grand Rivers Community Bank (“GRCB”) and Kotner Title & Abstract, LLC. Pursuant to the Merger Agreement, APB will pay cash in the amount of \$1,150,000.

The Merger is subject to various conditional obligations of each party, such as regulatory approvals. Among other things, APB will contribute to Grand Rivers a capital injection equal to the lesser of (a) \$3,500,000, or (b) the amount necessary to raise Grand Rivers' ratio of classified assets to Tier 1 capital and reserves to 50% or less, but not to exceed \$5,000,000. In addition, the Merger Agreement provides that at the time of closing that Main Street shall have a minimum capital level of \$2,000,000. Main Street will also be required to apply its best efforts to extend the maturity date of its \$1.3 million promissory note with First Mid-Illinois for a minimum of 12 months.

The closing shall take place on a date which shall be no later than 10 days after each of the conditions precedent shall have been satisfied or waived. The effective time of the Merger shall be the time of endorsement of the articles of merger by the Secretary of the State of Illinois (the "Effective Time"). Under certain limited terms and conditions as set forth in the Merger Agreement, either party may terminate the Merger Agreement with a payment of \$75,000. If Main Street terminates the Merger Agreement as a result of receiving what the Main Street Board of Directors determines to be a "Fiduciary Out Proposal", as defined in the Merger Agreement, Main Street will pay a \$150,000 termination fee to APB.

Main Street Bancshares, Inc.

Main Street is an Illinois corporation established in May 2014. Main Street is a registered bank holding company, regulated by the Federal Reserve. Its primary assets are its equity investments in the Grand Rivers and Kotner Title & Abstract, LLC, and the land and buildings from which the Grand Rivers operates. The stock of Main Street Bancshares, Inc. is currently held by a total of 16 shareholders consisting primarily of local investors. No one shareholder or related parties control a majority interest of the stock. Current insiders collectively own approximately 16.5% of the total shares outstanding. For federal and state income tax purposes, Main Street and its subsidiaries operate as C corporations and file consolidated federal and Illinois corporate income tax returns.

As of November 30, 2019, Main Street reported total assets of \$3.668 million which includes Investment in subsidiaries and other assets totaling \$2.537 million. In addition, Main Street reported total liabilities of \$1.317 million and Total Equity of \$2.350 million.

Grand Rivers Community Bank

Grand Rivers is an Illinois chartered commercial bank established in 1902. Grand River is regulated by the Federal Deposit Insurance Corporation ("FDIC") and the Division of Banking of the Illinois Department of Financial and Professional Regulation ("Illinois Division of Banking"). It operates from its headquarters office in Grand Chain in Pulaski County, Illinois, a branch office in Karnak, also in Pulaski County, and a branch office in Shawneetown in Gallatin County, IL. Grand Rivers is a wholly-owned subsidiary of Main Street Bancshares, Inc.

Grand Rivers operates as a community-oriented institution with a strong focus on customer service. The business activities of Grand Rivers generally encompass all of the customary functions of its commercial bank competitors, including residential real estate lending, commercial lending, agricultural lending installment credit lending, ATM facilities and other traditional banking services. In addition, full-service personal and business Internet banking, mobile banking, debit cards, and safe deposit box rentals are offered. Grand Rivers also offers remote deposit capture to its customers.

As of November 30, 2019, Grand Rivers Community Bank had total assets of \$31.2 million, net loans of \$18.94 million, deposits of \$27.48 million and shareholders' equity of \$2.518 million. For the quarter ended November 30, 2019, the Bank generated a net loss of \$0.53 million. For the year ended December 31, 2018, the bank generated a net loss of \$1.026 million. For the year ended December 31, 2017, the Bank generated net income of \$1.5 million, as a result of a onetime special event and recognition of a net deferred tax benefit of \$0.4 million.

For additional information on the Grand Rivers operations, see heading "*Operations of Grand Rivers*".

Kotner Title and Abstract, LLC

Kotner Title and Abstract, LLC ("Kotner") is a real estate title company the business of which was established in 1940. Kotner is an Illinois limited liability company and operates today from its sole office in Harrisburg, Illinois. Kotner has served Southern Illinois for over 75 years, provided a list of title, abstract and closing products and services to protect buyer's and lender's rights in real estate transactions. Kotner is a wholly-owned subsidiary of Main Street Bancshares,

Inc. Subsequent to the Merger, the Company intends to become a “financial holding company” under the rules of the Federal Reserve Board, which will permit Main Street to maintain Kotner as a direct subsidiary.

As of November 30, 2019, Kotner had total assets of \$206,000, liabilities of \$6,337 and shareholders’ equity of \$200,067. For the past three years, Kotner has realized a profit in 3 of the past 4 years, with the loss in 2018 of \$197,000 as a result of a onetime write-down of certain leasehold expenses related to a closed facility. For the quarter ended September 30, 2019, Kotner had generated a profit of approximately \$36,000. Kotner has been able to remain operationally profitable regardless of limited loan origination or loan renewal business being referred to them by their sister company, GRCB.

APB Management

Chan Heng Fai

Chairman of the Board of Directors

The Company’s management team is led by its Chairman, Mr. Chan Heng Fai. Mr. Chan Heng Fai (“Mr. Chan”), a citizen of Singapore, has invested in and built many global businesses. He specializes in financial restructuring and corporate transformation to unlock value and unleash entrepreneurial zeal while managing risk. He has successfully restructured more than 35 corporations in different industries and countries. Some of the remarkable companies that he has built, rescued or transformed include the American Pacific Bank (USA)(unrelated to the Company), China Gas Holdings Limited and Heng Fai Enterprises Limited (both listed on The Stock Exchange of Hong Kong), Global Med Technologies, Inc. (U.S. Medical software company exited for US\$60 million), Singhaiyi Group Ltd (Listed on the Singapore Exchange), and Global Medical REIT, Inc. (founded and now listed on the New York Stock Exchange with assets over \$350 million).

Currently, Mr. Chan is the Chief Executive Officer of Singapore eDevelopment Limited (SGX: 40V) a public listed company on the Singapore Stock Exchange (SGX) which was on the verge of bankruptcy. Mr. Chan has personally funded the company approximately \$55 million Singapore Dollars (\$39,558,200 US as of February 9, 2020). Singapore eDevelopment’s activities include property development, digital transformation technology and biohealth activities.

Further, Mr. Chan is also a highly regarded banker. In 1987, Mr. Chan acquired American Pacific Bank, a unrelated full service U.S. commercial bank, which he recapitalized and grew the bank’s operations. Under his leadership, American Pacific Bank became a U.S. NASDAQ high asset quality bank, with zero loan losses for over 5 consecutive years before he sold the bank in 2004. Mr. Chan is an accomplished global business veteran of more than 40 years.

Frank D. Heuszel

Director, Chief Executive Officer

The Company’s CEO, Frank D. Heuszel, (“Mr. Heuszel”) is an experienced and nationally respected banking executive, a professional attorney and CPA with over 35 years of experience providing legal, risk, and corporate leadership in the US commercial banking sector. Mr. Heuszel graduated from the University of Texas at Austin from the McCombs School of Business and he received his Doctorate of Jurisprudence from South Texas College of Law in 1990. Mr. Heuszel is a Certified Public Accountant (retired), a Certified Internal Auditor, a commercial banker, and a former practicing attorney.

Mr. Heuszel has over 40 years of experience in banking, accounting and finance, auditing, and turnaround management. As a banker, Mr. Heuszel served as Audit Manager, Chief Financial Officer, Senior Lender, and Director of Special Assets, Credit Officer, Director of Compliance, and General Counsel. As the Director of Special Assets for a large national banking organization, his division managed over \$4.6 billion in assets. Because of his 30+ years of managing large corporate reorganization and restructures, Mr. Heuszel is recognized as an expert in the management of troubled companies.

Currently Mr. Heuszel is the CEO and the Interim Chief Financial Officer of Document Security Systems, Inc, a publicly traded company on the NYSE American exchange under the symbol DSS. Document Security Systems, Inc is a recognized leader in anti-counterfeit, authentication and consumer engagement technologies whose products and solutions are used by governments, corporations and financial institutions to defeat fraud, to help ensure authenticity and engage the consumer in product selection. Mr. Heuszel has served as a director of the Company since July 30, 2018, when he joined the DSS Board as an Independent Director and as Chairman of the DSS Audit Committee. On May 7, 2019, the DSS Board of Directors appointed Mr. Heuszel as its CEO and Interim Chief Financial Officer.

As an attorney, Mr. Heuszel has served as general counsel for a regional Texas Bank and as a practicing attorney, his Houston based law practice provided legal and advisory services primarily focused on banking, finance, collection litigation, bankruptcy, mergers and acquisition, and corporate governance.

The Company's board of directors currently comprises Mr. Chan and Mr. Heuszel. For additional information on management and the directors, see "*Management of American Pacific Bancorp, Inc.*".

Business Plan:

American Pacific is managed by a team of bankers and entrepreneurs whose shared vision is to build a robust, integrated technologically advanced bank holding company. We envision establishing a unique, customer-centric, globally focused entity that provides banking and non-banking services through digital channels. American Pacific intends to offer an array of products and services either through its bank holding company(ies), its banking operations, and/or real estate title company to the banking community as well as to underserved businesses.

The Company's business plan includes the following primary business lines or products:

- | | |
|--|--|
| 1) Deposit Services | 7) Family Trust Services |
| 2) Commercial Lending | 8) Loan Syndication |
| 3) Mortgage Loans | 9) Escrow Services |
| 4) Factoring Loans | 10) Product Manufacturing Financing
- For MLM Companies |
| 5) Personal Loans | 11) Credit Card |
| 6) Land and Property Development Loans | 12) Digital Custodian Services |

Management's Strategic Business Plan prioritizes the following actions:

1. Upon Completion of the Merger, Re-Vitalizing Grand Rivers Community Bank:
Immediate actions will be taken to re-capitalize and revitalize Grand Rivers Community Bank to be an important component in the development of the Company and its long-term business plans.

2. Establishing a Loan Syndication and Underwriting Division:
The Company will establish a loan origination and underwriting division that will specialize in M&A acquisition financing, large Commercial C&I working capital or capital expenditures financing, and CRE project financing.

3. Launching Multi-level Marketing Financing Division:
The Company intends to provide inventory financing and related financial services to the Multi-level Marketing or Direct Marketing ("MLM") industry.

4. Initiating and Accounts Receivable Factoring Group:
The Company's strategic business plan also includes developing a Receivable Factoring Group.

5. Incorporating Other Escrow, Trust and Custodial Services:
The Strategic Business plan also provides for the formation of a Trust, Escrow and Custodial services division that will provide independent third-party safeguarding of funds and/or products involved in complex business transactions, companies in need of an experienced corporate trustee, for bankruptcy estates, and for personal asset and income management.

Corporate Goals and Values:

Our vision for the Company is to also build banking relationships and invest in community banks by acquiring equity positions and investing in their future. We want to provide our community banks and their customers with the resources, products and capital to help them succeed, which will add to our own success. Further, we plan to provide an array of mobile technology products, banking related services and a digital platform to our customers, our community banks and

their customers. We will build a network of banking services and community banks that will open new and previously unavailable customer markets for them and provide them with products to expand their resources and increase profitability.

The Company's goal is to operate a respected and exceptional banking investment and services company by providing capital to well-managed community-oriented financial institutions, the highest quality financial products and services to our customers, the opportunity for personal and professional growth to its employees, and an attractive return to stockholders. To do so, the Company will employ the following principles to achieving this mission:

Innovation: The Company is committed to banking innovation, especially technological and operating efficiencies. We are committed to anticipating, understanding, and meeting our customers' business needs and expectations. Innovation in everything we do is essential for our long-term financial success.

Integrity: The Company intends to operate and serve as a community banking leader by cultivating and demonstrating an environment of honesty, sincerity, and trust, in which we are fair and ethical in all we do. We intend to be responsible stewards of our resources, people, community, and world.

Accountability: The Company is committed to fostering an environment where every member of the corporate team is responsible for upholding and reinforcing our values. We take responsibility for our performance in all of our decisions and actions.

Results: The Company recognizes the impact we make in our communities, and the obligations we have to every one of our investors. The Company intends to operate and serve as a community banking leader focused on meeting the specific needs of our customer and community. We are a trusted, results-oriented corporate partner.

Our Competitive Strengths

We believe that we are well-positioned to create value for our shareholders, particularly as a result of our attractive markets and the following competitive strengths:

- ***Experienced Management Team.*** Our management team has a long and successful history of managing banks, with an average of 35 years of banking experience across the senior executive levels. Our directors have a demonstrated track record of managing growth profitably, maintaining a strong credit culture and implementing a relationship-based approach to banking.
- ***Technology Infrastructure in Place for Growth.***
- ***Business Focus.*** Our principal business objective is to (1) to properly serve our market and our customers, and (2) provide attractive risk-adjusted return to our stockholders through a combination of sustainable and increasing revenue growth that allows us to pay reliable, dividends, and potential long-term appreciation in the value of the bank and non-banking businesses lines.

Our Operating Strategy

Our goal is to become the bank of choice in the markets that we serve, while seeking to provide an attractive return to our shareholders. We have implemented the following operational strategies to achieve this goal:

Focus on customer satisfaction.

Continue to maintain strong credit quality.

Maintain Strong Capital.

Focus on Protecting a Fair Net Interest Margin.

Our Markets

While the Company will have significant immediate presence in Texas, Florida, Maryland, and Illinois, its market place will generally cover all of the United States.

With the acquisition of Main Street Bancshares, Inc., the organization will immediately have two geographically well-placed, financial cornerstones. The Company's assets will include two US bank holding companies: *APB, a Texas Bank holding company*, and *Main Street Bancshares, Inc., an Illinois bank holding company*. Management believes that there is a significant operational advantage of operating two US Bank holding companies, as each bank holding company can engage directly or indirectly in activities that are closely related to banking—as defined by the Bank Holding Company Act—but not permitted for banks themselves, including purchasing and managing a problem loan portfolio, securities underwriting activities, insurance underwriting activities and merchant banking. Operating two independent bank holding companies will not change any regulatory supervision or applicable regulatory provision, but it will allow the Company to provide a larger national coverage for loan syndications and banking connections. Further, this diversification and duplication will allow the Company to stratify its lending and financial services by region, products and industry.

As a Texas bank holding company and with experienced 30+ years Texas bankers, APB is located and primed to take advantage, with its proposed business lines, of one of the world's hottest economy and financial markets. Texas is the home to over 430 FDIC insured banks and bank holding companies headquartered just in Texas, and over 1200 branches of other regional banks. Each of these financial institutions represent a customer and investment opportunity. Further, the economy of Texas is the second largest in the United States. It has a gross state product of \$1.803 trillion (2018), the second largest in the U.S. As of 2019, Texas was home to 12 of the top 100 companies on the Fortune 500 list. In 2017, Texas grossed more than \$264.5 billion a year in exports—more than the exports of California (\$172 billion) and New York (\$77.9 billion) combined. Houston is the world's recognized center for Oil & Gas and a world renowned Medical center. Further, Dallas, Texas is one of the fastest growing markets in the US and has a diverse economy which includes, defense, financial services, information technology, telecommunications, and transportation. As a sovereign country (2018), Texas would have been the 10th largest economy in the world by GDP (ahead of South Korea, Russia, Australia, and Canada).

Further, the acquisition of Main Street Bancshares will allow the Company to establish a financial presence in the State of Illinois, and specifically in the city of Chicago, and in smaller metropolitan areas of the US like St. Louis, MO., Memphis and Nashville, TN. Chicago is a recognized US banking and a global financial center that will allow the Company's regional and national access to loan syndications and the investment banking community. The economy of Illinois is the fifth largest by GDP in the United States and one of the most diversified economies in the world. Chicago is also home to the largest futures exchange in the world, the Chicago Mercantile Exchange.

Grand Rivers Community Bank will continue to serve and grow its local market with depository and lending services and to do so as a well-capitalized regional bank in the southern Illinois area. As a bank and a member of the FDIC, GRCB will be able to provide depository services to the Company and for its customers. Grand Rivers will be able to provide the conventional lending products like Home Mortgages, Commercial lending products and consumer and personal loans. Further, GRCB will provide our customers with access to Merchant Credit Card processing.

Corporate Information

Our principal executive office is located at 4800 Montgomery Lane, Suite 210, Bethesda, Maryland, USA 20814 and our telephone number is (301) 971-3940.

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OFFERING SUMMARY

The following summary of the offering contains basic information about the offering and our common and Perpetual Preferred stock and is not intended to be complete. It does not contain all the information that may be important to you, and you are encouraged to carefully review in its entirety the remainder of this Offering Memorandum.

Units offered by us	2,500,000 Units
Class A Common Shares and Perpetual Preferred stock outstanding after a maximum subscription	2,500,000 shares of Class A Common Shares ⁽¹⁾ 2,500,000 shares of Perpetual Preferred stock ⁽²⁾
Use of Proceeds	We estimate that the net proceeds to us from this Offering, after deducting placement agent fees and estimated offering expenses payable by us, will be approximately \$13,425,000 based on an offering price of \$6.00 per Unit. We intend to use the net proceeds of this Offering primarily to acquire Main Street, support growth in loans and deposits, and for other general working capital and corporate purposes. See “ <i>Use of Proceeds.</i> ”
Dividend Policy	Perpetual Preferred: <ul style="list-style-type: none">• Annual five percent (5%) dividends paid semi-annually when and if declared Class A Common Shares: <p>We have not paid any dividends on our Class A Common Shares. In the future, our board of directors will make any determination whether or not to pay dividends on our common stock based upon our results of operations, financial condition, capital requirements, regulatory and contractual restrictions (including with respect to our preferred securities, which are senior to our shares of common stock and have a preference on dividends), our business strategy and other factors that the board deems relevant. See “<i>Dividend Policy.</i>”</p>
Rank	Our common stock is subordinate to our preferred securities with respect to the payment of dividends and the distribution of assets upon liquidation. We pay dividends on our outstanding preferred stock. See “ <i>Description of American Pacific Capital Stock–Preferred Stock.</i> ” In addition, our common stock will be subordinate to any preferred stock or debt that we may issue in the future.
Investor Suitability:	The Company is offering the Units only to individuals or entities that are considered “accredited investors” as defined by Regulation D of the Securities Act.
Listing	We intend to apply to have our Class A Common Shares and our Perpetual Preferred Stock quoted on the NASDAQ Capital Market or NYSE MKT. There is no assurance that our application will be approved or, if approved, that an active trading market will develop for our Class A Common Shares or our Perpetual Preferred stock.
Determination of Offering Price	There has been no public market for our Class A Common Shares or Perpetual Preferred stock prior to this offering. The offering price was determined by our board of directors taking into account various factors, including among others, our book value, our earnings prospects and market conditions at the time of this offering.

Payment Purchasers of Units are not required to submit payment for shares at the time of subscription. Rather, purchasers will have seven (7) business days following delivery of the Payment Notice to deliver payment for the Units subscribed.

Regulatory Limitations The Company does not intend to issue Class A Common Shares or Perpetual Preferred to any person who, in the Company's opinion, would be required to give prior notice to, or obtain approval from, the Federal Reserve or any other federal or state bank regulatory authority for the purchase of the Class A Common Shares or the subsequent ownership of the Company's Class A Common Shares, unless the subscriber has received all required regulatory approvals by the closing date. Without the specific written consent of the Company, no individual (including immediate family members living in the same household) or group acting in concert may purchase Units resulting of ownership of more than four point nine percent (4.9%) of the amount of our Class A Common Shares or Perpetual Preferred stock to be outstanding at the close of the offering.

Restrictions on Transfer The offer and sale of the Units, Class A Common Shares, and/or Perpetual Preferred has not been registered under the Securities Act, or any state securities laws in reliance on exemptions therefrom. The Units, Class A Common Shares, and Perpetual Preferred sold in this Offering will constitute "restricted securities" within the meaning of the Securities Act and such other laws. Consequently, no resale or transfer of such shares may be made after the purchase thereof unless the shares are subsequently registered under the Securities Act and other applicable securities laws or unless an exemption from such registration is available at the time of sale or transfer. The Class A Common Shares and Perpetual Preferred offered hereby will bear a restrictive legend to such effect, and each investor will sign the Subscription Documents, containing representations, warranties and covenants consistent with the foregoing. Each investor must treat the Units, Class A Common Shares, and Perpetual Preferred as a long-term investment and expect to bear the economic risk of such securities for an indefinite and extended period. Investors must also be able to bear the loss of the investment in such securities. See "*The Offering—Restrictions on Transfer.*"

Closing This Offering will have multiple closings. We may, in our sole discretion, determine when to conduct the initial closing. In such event, we would then continue the offering until the earlier of the maximum of the offering or the Offering Expiration Date.

Risk Factors Investing in our Units involves a significant degree of risk. See "*Risk Factors*" beginning on page 13 of this Offering Memorandum for a discussion of certain factors that you should carefully consider before making an investment decision.

- (1) The number of shares of our Class A common stock to be outstanding after this Offering is based on zero shares of our Class A common stock issued and outstanding as of January 6, 2020. As of the date of this Offering, 2020, there are 5,033,123 shares of Class B common stock. After a successful offering of 2,500,000 shares of Class A common shares, the Company would have 7,533,123 shares of common stock outstanding. Please see the information under the heading "*Description Of The Classes Of Common Stock*" regarding the voting rights of the Class A and Class B common shares.
- (2) The number of shares of our Perpetual Preferred stock to be outstanding after this Offering is based on zero shares of our Perpetual Preferred stock issued and outstanding as of December 31, 2019. Unless otherwise indicated, information contained in this Offering Memorandum regarding the number of outstanding shares of our Perpetual Preferred stock excludes the following:

Subscription and Termination

This Offering is expected to terminate on or before June 30, 2020, the "Termination Date".

The initial closing of the Offering will occur as soon as the Company believes it has received sufficient subscriptions, and

the Company believes that there has been no substantial change in the market conditions or regulatory control to make the business plan infeasible. The Company may conduct one or more additional closings of the Offering prior to the Termination Date.

How to Subscribe:

Investors desiring to subscribe for Units may do so by delivering to the Company, as soon as practicable, but before the close of business on the Subscription Date, completed, dated and signed originals or .pdfs of originals of the following Subscription Documents:

- Subscription Agreement in the form enclosed herewith as **Exhibit A**;
- Investor Questionnaire (Appendix A to the Subscription Agreement); and
- Substitute Form W-9 (Appendix B to the Subscription Agreement).

The Company is seeking the return of completed Subscription Documents on or before 5:00 p.m., Central Time on August 31, 2020.

As noted above, subscribers are not required to submit payment for the Units when they submit the Subscription Documents. The Company will deliver notice to such subscribers calling for payment of their subscription proceeds within seven (7) business days following delivery of the Payment Notice. The Payment Notice will include instructions for delivery of such proceeds to the Offering Account at the financial institution set forth in the Payment Notice.

All subscriptions will be binding and irrevocable after being delivered to the Company. Subscribers' funds will be held in the Offering Account pending acceptance of the subscription by the Company. If the Company does not accept all or a portion of a subscription, the Company will return all or the unaccepted portion of the subscription funds without interest.

The Subscription Documents should be returned via U.S. mail, hand delivery, overnight mail or in PDF format via email to:

American Pacific Bancorp, Inc.
4800 Montgomery Lane, Suite 210,
Bethesda, Maryland, USA 20814
Attention: Frank D. Heuszel
frank.heuszel@amerpacbancorp.com

CAUTION REGARDING FORWARD LOOKING INFORMATION

Statements and financial discussion and analysis contained in this Memorandum are not historical facts and forward-looking statements are subject to risks and uncertainties. Forward-looking statements describe the Company's future plans, strategies and expectations, and are based on assumptions and involve a number of risks and uncertainties, many of which are beyond the Company's control. Statements regarding the following subjects are forward-looking by their nature:

- the Company's business strategy and projected capital expenditures;
- the Company's understanding of its competition and marketplace;
- market trends; and
- use of the proceeds of this Offering.

The forward-looking statements are based on the Company's beliefs, assumptions and expectations of its future performance, taking into account the information currently available to the Company. The Company does not intend to update its forward-looking statements at any future date. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to the Company, many of which are beyond the control of management and are not subject to predictability. If a change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in its forward-looking statements. You should carefully consider these and other risks when making a decision concerning investment in the Common Shares, along with the following factors that could cause actual results to differ materially from the Company's historical and forward-looking statements:

- ability of the Company to implement its businessplan;
- changes in local economic and business conditions which adversely affect the Company's customers and their ability to transact profitable business with the Company;
- changes in interest rates and market prices;
- the timing, impact and other uncertainties of the Company's ability to enter new markets successfully and capitalize on growth opportunities;
- ability of the company to get all of the necessary regulatory approval to implement its full business plan;
- changes in the availability of funds resulting in increased costs or reduced liquidity;
- the Company's ability to raise additional capital;
- increased asset levels and changes in the composition of assets and the resulting impact on the Company's capital levels;
- the Company's ability to acquire, operate and maintain cost effective and efficient systems without incurring unexpectedly expensive but necessary technological changes;
- the loss of senior management or operating personnel and the potential inability to hire qualified personnel at reasonable compensation levels;
- changes in statutes and government regulations or their interpretations applicable to banks and bank holding companies and the Company's present and future subsidiaries, including changes in tax requirements and tax rates; and
- other factors discussed in the "Risk Factors" section of this Memorandum.

The words "may," "shall," "will," "believe," "expect," "anticipate," "project," "estimate," "predict," "intend," "goal," "objective" and similar expressions, are intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements.

RISK FACTORS

An investment in our Units is subject to certain risks. You should carefully review the following risk factors and other information contained in this Memorandum before deciding whether this investment is suited to your particular circumstances. The risk factors set forth below are not the only risks that may affect us but do represent those risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may materially and adversely affect our business, financial condition and results of operations. The value or market price of our securities could decline due to any of these identified or other risks, and you could lose all or part of your investment. You should consult your own business, legal and tax advisors regarding the suitability of an investment in the Units. See “Caution Regarding Forward-Looking Information.”

Risks Associated with the Company’s Business

The Company has limited operating history and cannot ensure the future success of the Company.

The Company is in its early stages of operations, having been formed in November 2016 and, as a result, there is no historical, operating, or financial information regarding the Company that would ordinarily be available to a purchaser of securities of business with an operating history. The Company’s future operating results depend upon a number of factors, including the ability of the Company to implement its business plan, to efficiently identify investment opportunities, and to successfully identify and respond to emerging trends in its market areas. Accordingly, the financial information presented in this Memorandum may not be as meaningful as that of a company which does have a history of operations. In addition, the success of the Company’s operations must be considered in light of the expenses, complications, and delays frequently encountered in connection with the acquisitions and expansions of a new business. No assurances can be given that the Company’s operations will be profitable, and the Company’s strategy, as described in this Memorandum, is dependent on identifying qualifying investment targets which will meet the Company’s investment profile.

There are no meaningful financial indicators upon which to base an estimate of the Company’s future financial performance.

As American Pacific can be considered a start-up venture based upon a unique business model, there are no meaningful comparative financial indicators to base an estimate of the Company’s future financial performance. Although the Company’s directors and executive officers have substantial banking and corporate experience, it is possible that the Company will sustain losses, or achieve only minimal profitability, during its initial years of operation. Even though Mr. Chan has an extraordinary successful track record with start-up and turnaround business ventures, there is no guarantee or assurance that his involvement with this venture will result in success. Because the Company has not conducted business operations, it does not have any operating history on which to base any estimate of its future earnings prospects. Consequently, you will have no meaningful historical operating information to help you decide whether to invest in the Company.

There may be undiscovered risks or losses associated with the business plan and/or any subsequent acquisitions.

While the management team has extensive experience in M&A transactions and in operating and advising banks, there is always the risk and potential for loss related to undiscovered risk associated with the business plan and with any M&A due diligence and acquisition. It is certainly possible that after an acquisition that the Company may find that there may be additional losses or undisclosed liabilities with respect to the assets and liabilities of the target acquisition, and the potential for undisclosed litigation liability risks. One or more of these factors might cause the Company to realize losses which would have a negative impact upon its future income.

Regulatory approvals which may be required to complete an acquisition or investment may not be received, may take longer than expected, or may impose conditions that are not presently anticipated.

Depending upon the size, type, and amount of the investment, certain State or Federal governmental or regulatory approval may be required. While the business plan has been designed to be fully compliant with all applicable bank regulations, bank holding company act, state trust start-up and operating regulations, department of insurance guidelines, and any other State or Federal regulations, there are no assurances as to when or if the Company will receive any and/or all necessary regulatory approval, or whether burdensome conditions will be imposed by regulatory authorities, or if new regulations will be implemented that will negatively impact the Company's business plan. Any of these events or similar events may create or impose additional costs on or otherwise prevent the completion of one or more of the intended acquisition or start-up ventures, which could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Company's business plan depends significantly on the proceeds of this Offering.

The Company intends to use the proceeds from this Offering is anticipated to be used to implement its business plan, to acquire Main Street, to pay for expenses associated with this Offering, and to provide additional capital to the Company to support anticipated future growth. The Company anticipates that most of the Company's growth will be as a result of one or more strategic acquisitions. The Company cannot assure you that it will receive a sufficient level of subscriptions to raise the \$15,000,000 it hopes to raise. If the net proceeds from this Offering do not provide funds sufficient to properly capitalize the Company to carry out its business plan, the Company may terminate this Offering.

Difficult market conditions and economic trends may adversely affect the banking industry and could adversely affect the Company's business, financial condition, results of operations and cash flows.

The Company is operating in a challenging and uncertain economic environment, including generally uncertain conditions nationally and globally. Financial institutions, which will be our primary business customer, and other related industries may be affected by instability the US and international stock markets, rapidly changing banking technology, banking customers' acceptance of technological change, the threat of inflationary factors on business, changing tax laws, and the political environments in the US and around the world. Further, as a result of these uncertain market conditions and economic trends the Company expects to face the potential for increased regulation and government oversight.

While market trends have over the past year been favorable, there is no assurance that such trends will remain favorable. There can be no assurance that the economic conditions of the State of Texas and United States will continue to improve. If market conditions and economic trends were to worsen, such worsening conditions would likely have a negative impact on the Company which could adversely affect the Company's business, financial condition, results of operations and cash flows.

Moreover, a significant decline in general economic conditions caused by inflation, recession, acts of terrorism, an outbreak of hostilities, natural disasters or other international or domestic calamities, unemployment or other factors beyond the Company's control could negatively affect the financial results of the Company's operations and the value of an investment in the Units.

The Company will rely heavily on its management team and the unexpected loss of key officers may adversely affect its operations.

The Company's future success will be greatly influenced by its ability to retain the services of the Company's senior management: Mr. Chan Heng Fai and Mr. Frank D. Heuszal. Although the Company intends to enter into employment agreements with each and potentially with other executive management staff that may have to be added to the Company, the loss of services of Mr. Chan Heng Fai and/or any other of the executive officers could have an adverse effect on the Company's business and financial results. While the Company has not done so, the Company is reviewing the benefits of purchasing a "key man" life insurance policy for Mr. Chan Heng Fai; however, the Company does not know the exact amount or terms of the insurance policy at this time. Further, the Company has not established a formal management succession plan. Accordingly, should the Company lose the services of any of the executive officers; the board of directors may have to search outside of the Company for a qualified permanent replacement. This search may be prolonged, and the Company may not be able to locate and hire individuals with the requisite experience and with

ties to its primary market areas.

Our Chairman and our Chief Executive Officer are employed by other firms and may face competing demands relating to their time, and this may cause our operating results to suffer.

Our Chairman is the CEO at Singapore eDevelopment, Ltd, and CEO with HF Enterprises Inc., and our Chief Executive Officer is the CEO of Document Security Systems, Inc. Their biographies are further described above under the heading “APB Management”. The time devoted by our Chairman and our CEO on the activities of these other entities may conflict with the time required for our operations. Because these persons have competing demands on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and fewer resources to our business than is necessary or appropriate. If this occurs, the returns on your investment may suffer.

Future growth or operating results may require the Company to raise additional capital, but that capital may not be available or it may be dilutive.

The Company, depending upon the business line, may be required by regulatory authorities to maintain adequate levels of capital to support those operations. To the extent that future operating results erode capital, the Company may be required to maintain capital in excess of traditional well-capitalized standards. Similarly, if the Company elects to expand through growth or layered acquisitions, the Company may be required to raise additional capital to meet that accelerated growth. Its ability to raise capital will depend on conditions in the capital markets, which are outside its control, and on its financial performance. Accordingly, the Company cannot be assured of its ability to raise capital when needed, on favorable terms or at all. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on the Company’s business, financial condition, results of operations and cash flows. In addition, in order to raise additional capital, the Company may need to issue common shares or Perpetual Preferred in a manner that would dilute the book value of the Class A Common Shares or Perpetual Preferred and reduce shareholders’ percentage ownership interest to the extent they do not participate in such future offerings.

Liquidity risk could impair the Company’s and the Bank’s ability to fund operations and jeopardize its financial condition.

Liquidity is essential to the Company’s business. An inability to raise funds through borrowing, through generating positive business cash flow, or through other sources could have a substantial negative effect on the Company’s liquidity. The Company’s access to funding sources in amounts adequate to finance its activities or on terms which are acceptable to it could be impaired by factors that affect it specifically or the financial services industry in general or the economy in total. Factors that could detrimentally impact the Company’s access to liquidity sources include a decrease in the level of its business activity as a result of a downturn in the markets in which the acquisitions are concentrated or as a result of adverse regulatory action against the Company or the bank investments. The Company’s ability to borrow could also be impaired by factors that are not specific to it, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry.

The Company may not be able to maintain its planned growth rate, which may adversely impact the Company’s results of operations and financial condition.

To achieve the Company’s desired levels of growth, the Company intends to initiate internal growth programs centered on planned growth and target acquisition growth rates. The Company may not be able to sustain its planned rate of growth or may not even be able to grow at all. In addition, the Company may not be able to obtain the financing necessary to fund additional growth. Various factors, such as economic conditions, the regulatory environment and competition, may impede or prohibit the Company’s growth plans. Any inability to attract and retain experienced personnel may adversely affect the Company’s internal growth. A significant decrease in the Company’s planned rate of growth may adversely impact its results of operations and financial condition.

System failure or cybersecurity breaches of the Company’s network security could subject the Company to increased operating costs as well as litigation and other potential losses.

The computer systems and network infrastructure the Company will use could be vulnerable to unforeseen hardware and cybersecurity issues, including hacking and identity theft. The Company's operations will be dependent upon the Company's ability to protect the Company's computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in the Company's operations could have an adverse effect on the Company's financial condition and results of operations. In addition, the Company's operations will be dependent upon the Company's ability to protect the computer systems and network infrastructure utilized by the Company against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the Internet or other users. Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through the Company's computer systems and network infrastructure, which may result in significant liability to the Company, damage the Company's reputation. In addition, a security breach could also subject the Company to additional regulatory scrutiny and expose the Company to civil litigation and possible financial liability.

Each year, the Company plans to add additional security measures to the Company's computer systems and network infrastructure to mitigate the possibility of cybersecurity breaches including firewalls and penetration testing. Further, the Company will continue to investigate cost effective measures to maintain network security.

The Company may be subject to legal action.

From time to time, the Company may become involved in a legal action which could result in damage to its reputation, may lead to large legal expenses that may not be covered or reimbursed by insurance and may consume large amounts of management's time.

The Company will have a continuing need for technological change.

The industries, which the Company intends to serve and to invest, including the banking industry, mobile banking technology, trust services, and mortgage banking, are subject to rapid technological changes with frequent introductions of new technology-driven products and services. Further, for the Company to better serve its customers, by increasing efficiency and by reducing costs, it must continue to invest in technology enhancements and to effectively use technology. The Company's success depends in part upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands for convenience as well as create additional efficiencies in its operations. Many of the Company's competitors have substantially greater resources to invest in technological improvements than it does. If the Company is unable to keep pace with advancing technological changes affecting its industries and customers, it will lose customers and will be less profitable or sustain losses. In addition, there can be no assurance that the Company will be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to its customers.

We may not be able to successfully manage our growth or implement our growth strategies, which may adversely affect our results of operations and financial condition.

A key aspect of our business strategy is our continued growth. Our ability to continue to grow depends, in part, upon our ability to raise additional capital, attract deposits and identify attractive loan and investment opportunities. Our ability to manage our growth successfully also will depend on whether we can maintain capital levels adequate to support our growth, maintain cost controls, and maintain asset quality.

As we continue to implement our organic growth strategy, we expect to incur increased personnel, occupancy and other operating expenses. We generally must absorb those higher expenses while we continue to generate new deposits, and there is a further time lag involved in redeploying new deposits into attractively priced loans and other higher yielding earning assets. Thus, our plans to grow could depress our earnings in the short run, even if we efficiently execute this growth.

Our banking focuses on lending to small- and mid-sized community-based clients which may increase our credit risk.

A majority of our banking loans are made to small business or middle market clients who may have a heightened vulnerability to economic conditions.

We may be required to make further increases in our provision for loan losses and to charge off additional loans in the future, which could adversely affect our results of operations.

Lending money is a substantial part of our business. Every loan carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- cash flows of the borrower and/or the project being financed;
- the changes and uncertainties as to the future value of the collateral, in the case of a collateralized loan;
- the credit history of a particular borrower;
- changes in economic and industry conditions; and
- the duration of the loan.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, which we believe is appropriate to provide for probable losses in our loan portfolio. The amount of this allowance is determined by our management through a periodic review and consideration of several factors, including, but not limited to:

- a general reserve, based on our historical default and loss experience;
- a specific reserve, based on our evaluation of non-performing loans and the underlying collateral of such loans; and
- current macroeconomic factors.

The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for probable loan losses or the recognition of further loan charge-offs, based on judgments different than those of management.

We are dependent on our information technology and telecommunications systems and third-party servicers, and systems failures, interruptions or breaches of security could have a material adverse effect on us.

Our banking interests are dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us.

Our banking interests provide our customers with the ability to bank remotely, including over the internet. The secure

transmission of confidential information over the internet is a critical element of remote banking. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could materially and adversely affect us.

Additionally, financial products and services have become increasingly technology-driven. Our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on the ability to keep pace with technological advances and to invest in new technology as it becomes available. The ability to keep pace with technological change is important, and the failure to do so could have a material adverse impact on our business and therefore on our financial condition and results of operations.

Fluctuating interest rates can adversely affect our profitability.

Our profitability is dependent to a large extent upon net interest income, which is the difference (or “spread”) between the interest earned on loans, securities and other interest-earning assets and the interest paid on deposits, borrowings, and other interest-bearing liabilities. Because of the differences in maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect our interest rate spread, and, in turn, our profitability.

Tightening of credit markets and liquidity risk could adversely affect our business, financial condition and results of operations.

Departures of key personnel or directors may impair our operations.

Our future prospects are and will remain highly dependent on our directors and executive officers. Our success will, to some extent, depend on the continued service of our directors and continued employment of the executive officers. The unexpected loss of the services of any of these individuals could have a detrimental effect on our business.

In order to continue our growth, we must attract and retain experienced banking professionals. If we are unable to attract qualified banking professionals, our growth plans could be delayed or curtailed. If we are unable to retain or replace, if needed, our current banking professionals, our business, financial condition, prospects and results of operations may be adversely affected.

We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations.

We are subject to extensive regulation, supervision and examination by federal and state banking authorities. Any change in applicable regulations or laws could have a substantial impact on us and our operations. Additional legislation and regulations that could significantly affect our powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on our financial condition and results of operations. Banking regulations are primarily intended to protect depositors’ funds, federal deposit insurance funds and the banking system as a whole, and not holders of our common stock. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress, state legislatures and federal and state regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Legislation that has or may be passed at the Federal level and/or by Texas in response to current conditions affecting credit markets could cause us to experience higher credit losses if such legislation reduces the amount that the Bank’s borrowers are otherwise contractually required to pay under existing loan contracts. Such legislation could also result in the imposition of

limitations upon our ability to foreclose on property or other collateral or make foreclosure less economically feasible. Such events could result in increased loan losses and require a material increase in the allowance for loan losses. Failure to comply with laws, regulations or policies could also result in enforcement actions or sanctions by regulatory agencies, civil money penalties and/or reputational damage, which could have a material adverse effect on our business, financial condition and results of operations. While we have policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

Please see the information described under the heading “*Regulatory Administrative Actions*” and “*Regulation and Supervision*” beginning on page 42 and page 50 respectively for additional discussion on the regulations and supervision that Grand Rivers is subject to.

Regulation of the financial services industry has undergone major changes, and future legislation could increase our cost of doing business or harm our competitive position.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) enacted in 2010 has created a significant shift in the way financial institutions operate and restructured the regulation of depository institutions. The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions including the authority to prohibit “unfair, deceptive or abusive” acts and practices.

As required by the Dodd-Frank Act, the federal banking regulators have adopted new consolidated capital requirements, which limit our ability to borrow at the holding company level and invest the proceeds from such borrowings as capital in the Bank that could be leveraged to support additional growth. The Dodd-Frank Act contains various other provisions designed to enhance the regulation of depository institutions and prevent the recurrence of a financial crisis such as occurred in 2008-2009. The Dodd-Frank Act may have a material impact on our operations, particularly through increased regulatory burden and compliance costs.

Any future legislative changes could have a material impact on our profitability, the value of assets held for investment or collateral for loans. Future legislative changes could require changes to business practices or force us to discontinue businesses and potentially expose us to additional costs, liabilities, enforcement action and reputational risk.

Capital rules generally require insured depository institutions and their holding companies to hold more capital. The impact of the rules on our financial condition and operations is still being determined but could be materially adverse.

Failure to satisfy any of these capital requirements will result in limits on paying dividends, engaging in share repurchases and paying discretionary bonuses. These limitations will establish a maximum percentage of eligible retained income that could be utilized for such actions.

The Company must become a “financial holding company” in order for Kotner to remain a direct subsidiary of Main Street. APB may not be able to qualify to become a financial holding company for a significant period of time, or such qualification may not occur.

Subsequent to the Merger, the Company intends to become a “financial holding company” under the rules of the Federal Reserve Board, which will permit Main Street to maintain Kotner as a direct subsidiary. The Federal Reserve Board’s bank holding companies rules relating to insurance agency activities will allow the Company to acquire Kotner along Main Street and Grand Rivers, but upon the growth of the Company in excess of \$50mm, the Company will have to become a financial holding company, or qualify under other insurance activity authorizations, if it intends for Kotner to remain a direct subsidiary of Main Street. Under the Federal Reserve Board rules, a bank holding company may elect to become a financial holding company if all depository institutions controlled by the company are well capitalized and well managed (as those terms are defined in the Federal Reserve Board rules).

The Company and Main Street may not be able to qualify to make the financial holding company election for a significant period of time after the Merger, and no assurances can be made that the Company and Main Street will ever so qualify.

We are subject to the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “PATRIOT Act”) and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. Federal and state bank regulators also have begun to focus on compliance with Bank Secrecy Act and anti-money laundering regulations. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans, which would negatively impact our business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

We are subject to a variety of operational risks, environmental, legal and compliance risks, and the risk of fraud or theft by employees or outsiders, which may adversely affect our business and results of operations.

Our banking interests are exposed to many types of operational risks, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, and unauthorized transactions by employees or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and keep customers and can expose us to litigation and regulatory action. Actual or alleged conduct by the Bank can also result in negative public opinion about our other businesses.

If personal, non-public, confidential or proprietary information of customers in our possession were to be misappropriated, mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, erroneously providing such information to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or the interception or inappropriate acquisition of such information by third parties.

Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process transactions and our large transaction volume may further increase the risk that technical flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We also may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control (for example, computer viruses or electrical or telecommunications outages, or natural disasters, disease pandemics or other damage to property or physical assets) which may give rise to disruption of service to customers and to financial loss or liability. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that our (or our vendors’) business continuity and data security systems prove to be inadequate. The occurrence of any of these risks could result in our diminished ability to operate our business (for example, by requiring us to expend significant resources to correct the defect), as well as potential liability to clients, reputational damage and regulatory intervention, which could adversely affect our business, financial condition or results of operations, perhaps materially.

Changes in accounting standards may affect the reporting of our performance.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results

of operations. From time to time there are changes in the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we report and record our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in a retrospective adjustment to prior financial statements.

We may not be successful in raising additional capital needed in the future; additional issuances of common stock can dilute your ownership interest.

In the future, should we need additional capital to support our business, expand operations or maintain minimum capital requirements, we may not be able to raise additional funds through the issuance of additional shares of common stock or other securities. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed or at prices or terms acceptable to us, our ability to further expand our operations could be materially impaired. Even if we are able to obtain capital through the issuance of additional shares of common stock or other securities, the sale of these additional shares could significantly dilute your ownership interest. In addition, there may be future issuances of additional common stock whether to finance an acquisition or as consideration paid to the stockholders of the acquired institution. Any such acquisitions and related issuances of stock may have a dilutive effect on earnings per share and the percentage ownership of current stockholders.

We face competition from banks, financial service companies and other companies that offer banking services, which could adversely affect our business.

Competition in our market may result in reduced loans and deposits or reduced rates charged or paid on these instruments and adversely affect our net interest margin. Ultimately, we may not be able to compete successfully against current and future competitors. Our competitors include national and super-regional banks, finance companies, investment banking and brokerage firms, credit unions, other community banks and technology-oriented financial institutions offering online services, many with greater resources that afford them a marketplace advantage by enabling them to maintain numerous banking locations and mount extensive promotional and advertising campaigns. Additionally, banks and other financial institutions with larger capitalization and financial intermediaries not subject to bank regulatory restrictions have larger lending limits than we do and are thereby better able to serve the credit needs of larger customers. Areas of competition include interest rates for loans and deposits, efforts to obtain deposits, as well as the range and quality of products and services provided, including new technology-driven products and services. Technological innovation continues to contribute to greater competition in domestic and international financial services markets as technological advances, such as Internet-based banking services that cross traditional geographic bounds, enable more companies to provide financial services. The ability to keep pace with technological change is important, and the failure to do so could have a material adverse impact on our business. If we are not able to effectively compete in our market area, our results of operations may be negatively affected.

Risks Associated with an Investment in the Units

The price of the Units in this Offering was determined by the board of directors and may not reflect the market price of the Units or Perpetual Preferred after this Offering.

The price of the Units was determined by the Company's board of directors and does not necessarily bear any relationship to the Company's book value, past operating results, financial condition or other established criteria of value and may not be indicative of the market price of the Units after this Offering. The Company's board of directors did not obtain a formal valuation or appraisal from an independent firm in connection with determining the per share price in this Offering. Among the factors considered in establishing the price were prevailing market and general economic conditions, the Company's current financial position, and estimates of the Company's business potential. Additionally, consideration was given to the general status of the securities market, the market conditions for new issues of securities and the demand for securities of comparable companies. Nevertheless, the price of the Units in this Offering should not necessarily be deemed reflective of the fair market value of the Class A Common Shares or Perpetual Preferred. Accordingly, no assurance is or can be given that the Units, Class A Common Shares, or Perpetual Preferred could be resold for the price of the shares in this Offering or for any amount.

There are restrictions on the Company's ability to pay dividends.

There can be no assurance that the Company will pay dividends in the future. Any declaration and payment of dividends on Perpetual Preferred will depend upon the Company's earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, the Company's ability to service any equity or debt obligations senior to the Perpetual Preferred and other factors deemed relevant by the board of directors. The Company's principal source of funds to pay dividends on the Perpetual Preferred will be its earnings, the earnings of subsidiaries, cash dividends that the Company may receive from investments, if any. Dividends are declared when, and if, by the Board determines such dividend would be permitted under law.

Federal law currently imposes limitations upon certain capital distributions by banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The Federal Reserve and FDIC regulate all capital distributions by a bank, directly or indirectly, to the Company, including dividend payments.

The concentration of our stock ownership limits our stockholders' ability to influence corporate matters.

Our Class B common stock has 10 votes per share, our Class A Common Shares have one vote per share, and our Perpetual Preferred has no voting rights. As of the date of this Memorandum, Mr. Chan and Mr. Heuszel own all of our outstanding Class B common stock. If this Offering is fully subscribed and the Company issues 2,500,000 shares of the Class A Common Shares and 2,500,000 shares of the Perpetual Preferred, Mr. Chan and Mr. Heuszel will control 95.2% of the voting power of our outstanding common stock. Mr. Chan and Mr. Heuszel therefore have significant influence over management and affairs and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets, for the foreseeable future. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A Common Shares, which has limited voting power relative to the Class B common stock. This concentrated control limits or severely restricts our stockholders' ability to influence corporate matters and, as a result, the Company may take actions that our stockholders do not view as beneficial. As a result, the market price of our Class A Common Shares and our Perpetual Preferred could be adversely affected.

The Company's management has broad discretion over the use of the net proceeds of this Offering.

The Company's management will have broad discretion to spend the net proceeds from this Offering in ways with which you may not agree. The failure of the Company's management to apply these funds effectively could result in unfavorable returns, could cause a material adverse effect on the Company's business, financial condition, liquidity and results of operations, and could cause the value of the Units, Class A Common Shares, and/or Perpetual Preferred to decline.

There will be restrictions on the transferability of the Class A Common Shares and the Perpetual Preferred which could impede your ability to sell or transfer Class A Common Shares or Perpetual Preferred.

The Class A Common Shares and Perpetual Preferred to be issued will not be registered under the Securities Act or any state securities laws in reliance upon exemptions from registration thereunder. Accordingly, in order to establish the availability of these exemptions, the Company will require prospective purchasers of Units to provide detailed information concerning their ability to qualify under these exemptions and to make certain representations with respect thereto. This required detailed information may relate to the subscriber's residence and/or citizenship or their financial ability and investment acumen. The failure to qualify for an exemption for the offering and sale of the Units under applicable securities laws could have a material adverse effect on the Company and purchasers of such Units. See "*The Offering—Investor Suitability Standards.*"

Because the Class A Common Shares and Perpetual Preferred have not been registered, purchasers will be subject to certain restrictions on transferability. A purchaser must hold his shares indefinitely and may not sell, transfer, pledge or otherwise dispose of them without registration under the Securities Act and other applicable laws, or the availability of an exemption from registration, such as the exemption provided by Rule 144 adopted by the SEC. If a purchaser desires to dispose of shares in reliance upon an exemption, he may be required at his cost to provide the Company with a legal opinion, in form and substance satisfactory to the Company and its counsel, that registration is not required. Accordingly, you must be willing to bear the economic risk of investment in the shares for an indefinite period of time. Purchasers of Class A Common Shares or the Perpetual Preferred in this Offering will not have the right to include their shares in any registration statements which the Company may file. See *“The Offering – Restrictions on Transfer.”*

There is no prior trading market for the Class A Common Shares or the Perpetual Preferred and it is unlikely that a trading market will develop in the foreseeable future.

There has been no market in the Class A Common Shares or Perpetual Preferred. While the Company plans to list the Class A Common Shares and the Perpetual Preferred on the NASDAQ Capital Market or NYSE MKT, there can be no assurance that either security will list on such national listing services, that an active market ever develops after this Offering, or that investors in the Class A Common Shares or Perpetual Preferred will be able to resell their shares at or above the offering price. Investors who purchase Units in connection with this Offering may experience substantial difficulty in selling such securities. Consequently, the Units offered hereby should be purchased only by investors who have no need for liquidity in their investment and who can hold the Units for an indefinite period of time. The Company has no obligation to register the Class A Common Shares or the Perpetual Preferred.

Certificates evidencing the shares sold will be imprinted with a conspicuous legend stating that such Class A Common Shares or Perpetual Preferred has not been registered under the Securities Act or any state securities laws and referring to the restrictions on transfer of the shares. In addition, the Company’s records concerning these securities will include notations to not allow transfer or “stop transfer notations” with respect to the shares. The Subscription Agreement contains agreements on the part of the purchasers that they will not sell any Units, Class A Common Shares, or Perpetual Preferred without registration under the Securities Act and state securities laws or exemption therefrom. The Company has no obligation to register the Units, Class A Common Shares, or Perpetual Preferred.

You may receive a premium above the unit price you paid in this offering based on our valuation of the unit. However, the assumptions of our valuation model may not accurately reflect the future market and you could actually experience a discount in this offering. At same time, you will incur a reduction in the net tangible book value per share of any Class A Common Shares that you purchase in this Offering if assuming you pay \$6.00 per Class A Common Share.

If you purchase Units in this Offering by \$6.00 per unit, the Company expects that you may receive a premium \$1.37 book value per Unit. The perpetual preferred stock is valued at \$6.00 per share by the financial perpetuity model with assumed 5% discount rate. However, the assumptions of our valuation are based on our current knowledge of the company and the market. Any change of the parameters in the financial model could lead to changes of the valuation, especially the change of expected discount rate. You could actually experience a discount instead of a premium in this investment.

If assuming your book value of Class A Common Shares is \$6.00 per share without considering perpetual preferred stock value, you will experience a reduction of approximately \$4.63 per share in the net tangible book value of your investment assuming the sale of 2,500,000 shares in this Offering primarily as a result of its organizational and other expenses associated with this Offering. This means that the price that you pay for the Class A Common Shares that you acquire in this Offering will be higher than the Company’s net tangible book value per share. For more information regarding the expected reduction in net tangible book value, see *“Net Tangible Book Value Per Share.”*

The Units, Class A Common Shares, and Perpetual Preferred are not insured deposits.

The Units, Class A Common Shares, and Perpetual Preferred are not savings or deposit accounts or other obligations

of our subsidiary banks, or any other bank deposits, and are not insured against loss by the FDIC or any other federal or state agency.

There is little public information about American Pacific.

American Pacific is not a reporting company under the Securities Exchange Act of 1934, does not file with the Securities and Exchange Commission annual or quarterly financial statements and is not required to provide its shareholders with a proxy statement in compliance with Schedule 14A under the Exchange Act. As a result, there may not be current information available to the public upon which investors may base decisions to buy and sell the Units, common stock, or the Perpetual Preferred stock.

In the future, if American Pacific has over 2,000 holders of record of its common stock, American Pacific would be required to register its common stock under the Exchange Act and provide audited annual financial statements, quarterly summary financial statements, an annual report to shareholders and a proxy statement in compliance with the Exchange Act. American Pacific, however, does not believe that its record holders will exceed 2,000 after the offering or any time in the foreseeable future.

The Company may not be able to close on its acquisition of Main Street.

Even with a maximum subscription of Units, the Company may not be able to close on its acquisition of Main Street. The acquisition is subject to approval by federal and state banking authorities, and the Company expects to receive such approval, but it is not guaranteed. Further, additional information about Main Street could be discovered through additional due diligence causing the Company management to delay, amend, or terminate the acquisition. In the event the Company is not able to close on the acquisition of Main Street, the proceeds received from the Offering will be used for identifying and acquiring a different target and for other purposes described herein under the heading “*Use of Proceeds*”.

The Company will conduct multiple closings and may not receive the maximum subscription or sufficient subscriptions to acquire Main Street.

The Company will conduct multiple closings, and in our sole discretion, determine when to conduct the initial closing. The Company may accept and close on subscriptions but ultimately not receive enough subscriptions to allow the Company to complete the acquisition of Main Street. Also, there is no minimum subscription amount that the Company must accept before closing any subscriptions. In the event the Company is not able to close on the acquisition of Main Street for any reason including but not limited to insufficient subscriptions, the proceeds received from the Offering will not be returned to the investor and will be used for identifying and acquiring a different target and for other purposes described herein under the heading “*Use of Proceeds*”.

Our Class A Common Shares and our Perpetual Preferred stock are not currently listed and upon a proposed listing the price of our Class A Common Shares and Perpetual Preferred stock may fluctuate significantly, which may make it difficult for investors to resell shares of the Class A Common and/or the Perpetual Preferred stock at a time or price they find attractive.

We intend to apply to have our Class A Common Shares and Perpetual Preferred stock quoted on the Nasdaq Capital Market or NYSE MKT. There is no assurance that our application will be approved. If our application is approved, we cannot assure you that a liquid trading market for our Class A Common Shares and/or Perpetual Preferred stock will develop or be sustained after this Offering. You may not be able to sell your shares quickly or at the market price if trading in our Class A Common Shares and/or Perpetual Preferred stock is not active.

Our stock price may fluctuate significantly as a result of a variety of factors, many of which are beyond our control. In addition to those described in “*Special Note Regarding Forward-Looking Statements.*” These factors include:

- Actual or anticipated quarterly fluctuations in our operating results and financial condition;
- Changes in financial estimates or publication of research reports and recommendations by financial

analysts with respect to us or other financial institutions;

- Reports in the press or investment community generally or relating to our reputation or the financial services industry;
- Strategic actions by us or our competitors, such as acquisitions, restructurings, dispositions or financings;
- Fluctuations in the stock price and operating results of our competitors;
- Future sales of our equity or equity-related securities;
- Proposed or adopted regulatory changes or developments;
- Domestic and international economic factors unrelated to our performance; and
- General market conditions and, in particular, developments related to market conditions for the financial services industry.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our operating results.

Substantial regulatory limitations on changes of control and anti-takeover provisions of Texas law may make it more difficult for shareholders to receive a change in control premium.

With certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be “acting in concert” from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of the Company’s voting stock or obtaining the ability to control in any manner the election of a majority of its directors or otherwise direct the management or policies of the Company without prior notice or application to and the approval of the Federal Reserve. Also, Texas corporate law contains several provisions that may make it more difficult for a third party to acquire control of the Company without the approval of its board of directors, and may make it more difficult or expensive for a third party to acquire a majority of its outstanding preferred and common stock.

The holders of our preferred stock have rights that are senior to and in addition to those of our common shareholders.

Our preferred stock ranks senior to our common stock. Therefore, we must pay dividends on the preferred stock before we can pay any dividends on our common stock. In the event of our bankruptcy, dissolution, or liquidation, the holders of our preferred stock must be satisfied before we can make any distributions to our common shareholders. If we do not remain current in the payment of dividends on the preferred stock, no dividends may be paid on our common stock.

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THE OFFERING

General

The Company is offering for sale 2,500,000 Units at a price of \$6.00 per Unit. The minimum purchase for any investor is 16,667 Units, or \$100,002, unless the Company, in the Company's sole discretion, accepts a subscription for a lesser number of shares. The Company reserves the right in its sole discretion to increase the maximum number of Units for sale in this Offering by up to an additional 20%, or 500,000 Units.

The Company has engaged WestPark Capital ("WestPark") as placement agent under a best efforts basis. The Offering is subject to (i) satisfactory completion of WestPark's due diligence; (ii) mutual agreement on the valuation and pricing of securities to be offered; and (iii) approval of all matters relating to the offering by WestPark legal counsel. The Company will pay WestPark fees of nine percent (9%) of the amount raised. The Company will also sell to WestPark (or its designees) a number of warrants to purchase ten percent (10%) of the Class A Common Shares sold in this Offering. These warrants will expire five (5) years after issuance and have an exercise price of \$6.00 per Class A Common Share. The shares underlying the warrants will have piggyback registration rights. The Company shall pay WestPark's expenses and costs related to the Offering, including but not limited to travel costs and legal fees of which \$15,000 has already been paid, and a non-accountable expense allowance of one percent (1%) of the amount raised. The Company also agrees to indemnify WestPark from all claims in connection with the Offering, including but not limited to a breach of the placement agreement or any representation or warranty made by the Company.

Each subscriber must subscribe for at least 16,667 Units (\$100,002), although we may waive this minimum as we deem appropriate in our sole discretion. Without the specific written consent of the Company, no individual (including immediate family members living in the same household) or group acting in concert may purchase Units resulting of ownership of more than four point nine percent (4.9%) of the amount of our Class A Common Shares or Perpetual Preferred stock to be outstanding at the close of the offering. Once submitted and accepted by us, subscriptions are irrevocable until the completion or termination of the offering, subject to our discretion to accept a larger subscription. **We reserve sole and absolute discretion to reject any order in whole or in part for any reason or to allot to a subscriber less than the number of shares for which the subscriber subscribed.** If the offering is oversubscribed, you may receive fewer shares than for which you subscribed because we will allocate the shares among subscribers in our sole discretion. In that case, we will refund to you promptly all funds not used to purchase shares in the offering, without interest.

Exempt Securities

The offering is being undertaken in reliance upon available exemptions from the registration requirements of the Securities Act as set forth in Regulation D, relating to accredited investors and such Rules and Regulations promulgated thereunder by the Securities and Exchange Commission, and in accordance with comparable exemptions from registration under the laws of any State in which an offer or sale of the Units is made in connection with the offering.

How to Subscribe

To subscribe for Units, investors must:

- Complete, date and sign the following Subscription Documents:
 - Subscription Agreement in the form enclosed herewith as **Exhibit A**;
 - Investor Questionnaire (Appendix A to the Subscription Agreement); and
 - Substitute Form W-9 (Appendix B to the Subscription Agreement).
- Deliver the completed, dated and signed Subscription Documents to the following address:

American Pacific Bancorp, Inc.
4800 Montgomery Lane, Suite 210
Bethesda, Maryland 20814
Attention: Frank D. Heuszel
frank.heuszel@amerpacbancorp.com

The Company is preferring the return of the Subscription Documents on or before 5:00 p.m., Central Time on August 31, 2020. The Company may, in its sole discretion, accept Subscription Documents and close this Offering at any time prior to the Termination Date.

Purchasers are not required to submit payment for Units when they submit the Subscription Documents. Rather, the Company will deliver the Payment Notice to such subscribers calling for payment of their subscription proceeds within seven (7) business days following delivery of the Payment Notice. The Payment Notice will include instructions for delivery of such proceeds to the Offering Account. The delivery of the Payment Notice and the payment of funds into the Offering Account does not mean that the Company accepts your subscriptions.

All subscriptions will be binding and irrevocable after being delivered to the Company. If this Offering is extended, subscriptions that the Company has already accepted will still be binding. The Company reserves the absolute and unqualified right to reject or reduce any subscription, for any reason prior to acceptance. Rejected subscriptions in whole or in part will be returned to the subscriber without interest.

Escrow of Funds

The Company will deposit all monies received in connection with subscriptions for Units hereunder in escrow with the Escrow Agent, Wilmington Trust, Baltimore, Maryland. The Escrow Agent will invest all monies received in the Offering Account in an insured deposit account or in United States government securities pending any closing of this Offering.

This Offering will have multiple closings. We will, in our sole discretion, determine when to conduct the initial closing. In such event, we would then continue the offering until the earlier of the maximum of the offering or the offering expiration date.

The Company will notify the Escrow Agent of closing dates, and the Escrow Agent will be instructed to release funds to the Company upon a closing.

Additionally, the Escrow Agent will promptly return the portion of any payment paid in connection with any subscription which is not accepted by the Company.

Subscription Agreement

To participate in the Offering, all subscribers will be required to execute and deliver to the Company a Subscription Agreement, which among things includes (i) representations and warranties made to the Company by the subscriber and (ii) an agreement to indemnify and hold harmless the Company and the Company's officers, directors, employees, agents and controlling persons, from and against any and all liabilities, losses, costs, damages and expenses arising out of or related to any misrepresentation made by the subscriber in the Subscription Agreement.

The method of delivery of Subscription Agreements and payment of the aggregate principal amount for which you subscribe will be at your election and risk. If you send your subscription by mail, the Company recommends that you use overnight delivery or registered mail, return receipt requested, and that you allow a sufficient number of days to ensure the Company's timely receipt of your materials. The Company will not be obligated to honor any Subscription Agreement until it is received by the Company, regardless of when the Subscription Agreement was sent.

The Company will decide all questions concerning the timeliness, validity, form and eligibility of Subscription

Agreements received, and the Company's decisions will be final and binding. The Company may, in the Company's sole discretion, waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as the Company may determine, or reject the purported subscription. Subscription Agreements will not be deemed to have been received until all irregularities have been waived or cured within such time as the Company determines in the Company's sole discretion. The Company has no duty to give a subscriber notice of any defect or irregularity in the submission of the Subscription Agreement and will not incur any liability for failure to give such notification.

WHEN THE COMPANY RECEIVES YOUR SUBSCRIPTION AGREEMENT, IT WILL BECOME BINDING AND IRREVOCABLE.

If you have any questions about this Offering or how to subscribe, please call Frank D. Heuszel at the Company at (301) 971-3940 or email at frank.heuszel@amerpacbancorp.com. You should retain a copy of the completed Subscription Agreement for your records.

Acceptance of Subscriptions

The Company will review the subscriptions to determine whether it will accept subscriptions. Upon acceptance of a subscription agreement, the Company will notify you of acceptance in writing. The Company reserves the right to reject any subscription received pursuant to this Offering, in whole or in part, in its sole discretion. This Offering will have multiple closings. We will, in our sole discretion, determine when to conduct the initial closing. The Company may conduct a closing and continue with the Offering. Accordingly, following that initial closing, the Company will conduct multiple closings prior to the Offering Expiration Date.

Determination of Offering Price

The subscription price was determined by the Company's board of directors. The subscription price was determined without an independent appraisal. The Company believes that a subscription price of \$6.00 per Unit provides a sufficient number of shares given the anticipated number of shareholders. For these reasons, the board of directors decided the appropriate subscription price is \$6.00 per Unit.

The subscription price should not be considered to reflect the market value of the Units. There is no public trading market for the Class A Common Shares or Perpetual Preferred and none can be anticipated to arise in the foreseeable future. As a result of the expenses associated with this Offering, the net tangible book value per share will be less than \$6.00.

THE COMPANY CANNOT ASSURE YOU THAT YOU WILL LATER BE ABLE TO SELL YOUR SHARES AT OR ABOVE THE \$6.00 PER UNIT OFFERING PRICE.

Investor Suitability Standards

An investment in the Units involves significant risks, represents an illiquid investment and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can bear the economic risk of a complete loss of their investment.

This Offering is intended to be a private offering designed to qualify for exemptions from the registration requirements of the Securities Act as well as for exemptions from registration under applicable state securities laws. Accordingly, the Company has established certain minimum standards which a prospective investor must meet in order to be eligible to purchase the Units.

The suitability standards represent minimum suitability requirements for a prospective purchaser. The satisfaction of such standards by a prospective purchaser, however, does not necessarily mean that the purchase of Units is a suitable investment for you. The Company reserves the right to refuse a subscription in its sole discretion for any reason. However, acceptance of a subscription does not indicate that the Company believes that the investment is suitable for such investor.

This Offering may be made only by the delivery of a copy of this Memorandum to a qualified prospective investor. You will be required to identify your country and state of residence and represent, among other things, that you are acquiring the Units for your own account, for investment purposes and not with the intention of making a partial or complete distribution or resale of the shares. The shares will be sold only to persons that the Company has reasonable grounds to believe, and does believe, at the time of sale to be an “accredited investor”, under Regulation D as such term is defined in the regulations promulgated under the Securities Act and under certain states’ securities laws and regulations, and as further described below.

The subscriber must qualify as an accredited investor, and will subscribe for Units using the subscription agreement attached as Exhibit A.

Accredited Investors under Regulation D

The term “accredited investor,” as used herein and in Regulation D, under the Securities Act, includes the persons and entities set forth in the Subscription Agreement, which you should read in connection with your consideration of this Offering. By signing the Subscription Agreement, you will make representations with respect to the foregoing and certain other matters.

In general, in order to qualify as an accredited investor, a prospective purchaser will fall into one of the following categories:

- a natural person whose individual net worth, or joint net worth with his or her spouse, excluding the value of his or her primary residence, exceeds \$1,000,000;
- a natural person who had an individual income in excess of \$200,000, or joint income with his or her spouse in excess of \$300,000, in each of the two most recent years and has a reasonable expectation of reaching the same income level in the current year;
- a bank or savings and loan association;
- any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (“Exchange Act”);
- an insurance company as defined in Section 2(13) of the Securities Act;
- certain investment companies and business development companies;
- certain employee benefit plans;
- an investment company registered under the Investment Company Act of 1940, private business development company as defined in Section 2(a)(48) of that Act;
- an organization qualified under Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership with total assets in excess of \$5,000,000, not formed for the specific purpose of purchasing the Units;
- a director or executive officer of the Company;
- a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of the Securities Act; or
- an entity (corporation, partnership or trust) in which all of the equity owners are accredited investors.

Subscriptions may be accepted only by the Company, which has the absolute right to refuse to accept any subscription or limit the number of shares acquired by any subscriber. The Company will rely on the accuracy of your representations as set forth in the Subscription Agreement. The Company may require additional evidence that you meet the standards set forth above at any time prior to acceptance of his subscription. You are not obligated to supply any information so requested by the Company, but the Company may reject a subscription from any prospective investor who fails to supply any information so requested.

If the Company's belief as to the suitability of a prospective investor is incorrect in any instance, then the delivery of this Memorandum shall not be deemed to be an offer to that person to invest in the Company, and such prospective investor shall, after notice from the Company, immediately return this Memorandum to the Company.

Depending upon events and potential target acquisitions, individuals, acting alone or in concert with others, who seek to acquire 5% or more of the Company's issued and outstanding Common Shares, or otherwise to direct the Company's management and policies, may be required to comply with the Change in Bank Control Act of 1978, as amended ("CBCA") and related regulations of the Federal Reserve. Entities (for example, a corporation) seeking to acquire 5% or more of the Company's issued and outstanding Common Shares or otherwise to control the Company may be required to comply with the Bank Holding Company Act and related regulations and policies. The Company will not be required to issue shares in this Offering to any person who, in the opinion of the Company, would be required to give prior notice to obtain prior clearance or approval from or make any commitment to any state or federal bank regulatory authority to own or control such shares if, at the Termination Date, such clearance or approval has not been obtained, such commitment made or any required waiting period has not expired. The Company reserves the right to reduce or reject, in whole or in part, any subscription that would, in its opinion, require prior regulatory notice, application, approval or commitment if such has not been obtained or made to the satisfaction of the Company prior to the Termination Date. See information under the heading "*Regulation and Supervision*".

Restrictions on Transfer

The offer and sale of the Units, and its underlying securities, have not been registered under the Securities Act or under any state securities laws and are in reliance on exemptions therefrom. The Units constitute “restricted securities” within the meaning of the Securities Act and such other laws. Consequently, no resale or transfer of such shares may be made after the purchase thereof unless the shares are subsequently registered under the Securities Act and other applicable securities laws or unless an exemption from such registration is available at the time of sale or transfer, such as the exemption provided by Rule 144 adopted by the SEC. An opinion of counsel acceptable to the Company and its counsel to the effect that such transaction complies with the applicable securities laws may be required by the Company. Each investor will sign the Subscription Agreement, containing representations, warranties and covenants consistent with the foregoing. Each investor must treat the securities as a long-term investment and expect to bear the economic risk of the securities for an indefinite and extended period. Investors must also be able to bear the loss of the investment in such securities.

Because the Units are being issued and sold without registration under the Securities Act or any state securities laws in reliance on exemptions therefrom, each certificate representing such shares comprising the Units will contain a restrictive legend substantially the same as the following:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

The foregoing information summarizes certain provisions but does not fully describe Rule 144 or other applicable provisions of the Securities Act, the Exchange Act or other applicable securities laws.

Intention of the Company’s Directors

The Company’s directors and executive officers are eligible to purchase Units in this Offering. As of the date of this Memorandum, the Company has not determined the number of Units which its directors and executive officers may seek to subscribe. As of the date of this Memorandum, no individual has entered into a binding agreement to subscribe for any Units in this Offering.

REPORTS TO SHAREHOLDERS

Our books and records will be maintained at our principal offices and will be open for examination and inspection in compliance with applicable law by our shareholders during reasonable business hours. We will furnish a list of names and addresses and number of shares held by shareholders to any shareholder who requests the list in writing for a proper purpose, with costs of photocopying and postage to be prepaid by the requesting shareholder.

Within 75 days after the close of each taxable year, we will distribute to shareholders a 1099 form that is necessary for the preparation of their federal income tax returns.

Within 120 days after the end of each fiscal year, we will also distribute to our shareholders an annual report containing:

- financial statements that are prepared in accordance with GAAP and are audited by our independent registered public accounting firm;
- the ratio of the costs of raising capital during the year to the capital raised;
- the aggregate amount of advisory fees.

DESCRIPTION OF THE CLASSES OF COMMON STOCK

The following discussion summarizes some of the important rights of the Company's shareholders upon completion of this Offering. These rights can be determined in full only by reference to federal and state banking laws and regulations, the Texas Business Organizations Code, the Company's Amended and Restated Certificate of Incorporation, and its Bylaws. The following summary of the terms and provisions of the Class A and Class B common stock and Perpetual Preferred does not purport to be complete and is qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation and Bylaws.

The Company is incorporated in the State of Texas. The rights of the Company's shareholders are generally covered by Texas law and the Company's certificate of formation and bylaws. The terms of the Company's capital stock are therefore subject to Texas law, including the Texas Business Organizations Code, and the common and constitutional law of Texas. The following discussion describes the terms of the Company's amended and restated certificate of formation and bylaws. The Company's certificate of formation and bylaws are available upon request.

The Company's amended certificate of formation authorizes the Company to issue up to two hundred million (200,000,000) Common Shares, par value \$0.01 per share and to issue up to one hundred million (100,000,000) shares of Preferred Stock. The authorized but unissued shares of the Company's capital stock will be available for future issuance without shareholder approval, unless otherwise required by applicable law or the rules of any applicable securities exchange.

Class A Common Stock

On November 8, 2016, the Company authorized 10,000,000 shares of common stock, \$0.01 par value per share, and on December 17, 2018, the Company amended its Certificate of Formation to authorize 100,000,000 shares of common stock, \$0.01 par value per share. Through December 31, 2019, the Company has issued 4,775,523 common shares to Chan Heng Fai and the Company issued 257,600 common shares to Frank Heuszel.

On February 7, 2020 the Board of Directors and the shareholders of the Company approved the Amended and Restated Certificate of Incorporation. The Amended and Restated Certificate of Incorporation created, among other things, the Class B Common Stock. Contemporaneously, the Company entered in an agreement to convert all shares authorized and issued prior to December 31, 2019 to Class B Common Shares. The 4,775,523 common shares issued to Chan Heng Fai and the 257,600 common shares issued to Frank Heuszel have been converted to Class B Common Shares. As of February 7, 2020, the Company had not issued any other shares of Class A Common Stock or Class B Common Shares other than the issuances to Mr. Chan and Mr. Heuszel.

Class B Common Stock

On February 7, 2020, the Board of Directors and the shareholders of the Company approved a second class of common stock called the Class B Common Stock. The Class B Common Stock has 100,000,000 authorized shares. The Class B is equal to the Class A Common Stock in most respects but has each holder of Class A Common Stock shall have the right to one (1) vote per share of Class A Common Stock held of record by such holder and each holder of Class B Common Stock shall have the right to ten (10) votes per share of Class B Common Stock held of record by such

holder.

The Class B Common Shares can be converted to the Class A Common Shares on a 1:1 ratio at the right of the holder of the Class B Common Share.

On February 7, 2020, the Board approved the Stock Conversion Agreements converting the common shares previously issued to Mr. Chan and Mr. Heuszel. As a result, Mr. Chan owns 4,775,523 shares of Class B common stock and Mr. Heuszel owns 257,600 shares of Class B common stock.

DESCRIPTION OF THE PERPETUAL PREFERRED STOCK

The following summary of the terms and provisions of the Series A 5% Cumulative Perpetual Preferred Stock does not purport to be complete and is qualified in its entirety by reference to our Certificate of Incorporation and the Certificate of Designation establishing the Series A 5% Cumulative Perpetual Preferred Stock, each of which is or will be incorporated by reference in this Memorandum.

Dividends. Annual five percent (5%) dividends paid semi-annually, when and if declared by the Board.

Voting Rights. The Perpetual Preferred shall not have any voting rights.

Redemption. The Company, at its option, may redeem, in whole at any time or in part from time to time, the shares of Perpetual Preferred at the time outstanding, at a redemption price equal to the sum of (i) the twenty (20) day average closing bid price of the Perpetual Preferred for such period prior to the declaration of such optional redemption, if the Perpetual Preferred shall be traded on a national securities exchange, (or, if the Perpetual Preferred is not traded on a national securities exchange, the fair market value as determined by the Company, and (ii) the accrued and unpaid dividends thereon whether or not declared, to the redemption date. Holders of the Perpetual Preferred will have no right to require redemption of any shares of the Perpetual Preferred.

Conversion. The Perpetual Preferred shall not have any conversion rights.

Ranking. The Perpetual Preferred, with respect to dividend rights and rights upon a voluntary or involuntary liquidation, dissolution or winding up, will rank:

- senior to our Common Shares and any other class of equity securities issued in the future the terms of which provide that such equity securities will rank junior to the Perpetual Preferred Stock;
- junior to any equity securities the terms of which provide that such equity securities will rank senior to the Perpetual Preferred, and to all of our existing and future debt, including, prior to conversion of such debt, any debt convertible into our equity securities.

Liquidation Rights. In the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, holders of the Perpetual Preferred shall be entitled to receive for each share of Perpetual Preferred, out of the assets of the Company or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Company, and after satisfaction of all liabilities and obligations to creditors of the Company, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Company ranking junior to the Perpetual Preferred as to such distribution, payment in full in an amount equal to the sum of (i) \$6.00 per share and (ii) the accrued and unpaid dividends thereon, whether or not declared, to the date of payment.

Restrictions on Transfer

Because the common stock and Perpetual Preferred are being issued and sold without registration under the Securities Act or any state securities laws in reliance on exemptions therefrom, each certificate representing such shares will contain a restrictive legend.

There is no trading market for the Common Shares or Perpetual Preferred at present and it is unlikely that any market, let alone a market having the desired characteristics of depth, liquidity and orderliness, will develop in the foreseeable

future. The Company is not obligated to register the Company's Common Shares, Perpetual Preferred, or the Units, with the SEC or, upon registration, to create a market for the Company's Common Shares, Perpetual Preferred, or Units. Thus, a holder of the Company Units may be unable to liquidate his or her investment and must be able to bear the economic risk of such investment indefinitely.

USE OF PROCEEDS

The gross proceeds of this Offering to be received by the Company are anticipated to be at least \$15,000,000 before deducting, Placement Agent fees, estimated expenses of approximately \$100,000 assuming the sale of 2,500,000 Units in this Offering. The Company expects to utilize the \$15,000,000 to: 1) permit the Company to acquire the Main Street Bank Assets pursuant to the Merger Agreement; 2) pay the expenses and fees incurred in connection with this Offering; and 3) to provide working capital for the Company to implement its business plan. In the event the Company's expenses exceed the proceeds generated from the sale of Units to initial investors, the Company may borrow funds from third parties, including the initial investors and insiders of the Company, to pay for the additional expenses. If the Company borrows funds, then it may use some of the proceeds from this Offering to repay the indebtedness, including indebtedness to initial investors and insiders of the Company.

The following summarizes the anticipated use of the gross proceeds of this Offering:

- approximately \$1,150,000 plus the merger-required capital injection (equal to the lesser of (a) \$3,500,000, or (b) the amount necessary to raise Grand Rivers' ratio of classified assets to Tier 1 capital and reserves to 50% or less, but not to exceed \$5,000,000) will be used to acquire the Main Street Bank Assets pursuant to the Merger Agreement; and
- approximately \$100,000 will be used pay the expenses associated with this Offering;
- approximately \$800,000 in fees and expenses to the Placement Agent; and
- the remainder will be used to provide additional capital for the Company to implement its business plan, to support anticipated future growth, which may include multiple acquisitions, and for general corporate purposes (although the Company has not yet determined and are unable to quantify the amount of net proceeds to be used specifically for each of the foregoing purposes).

The precise amounts used and timing of the application of the proceeds from this Offering depend upon many factors, including, but not limited to, the amount of any such proceeds and actual funding requirements. Accordingly, the Company's management will have significant flexibility in applying the net proceeds of the Offering. Until the proceeds that are accepted from the Offering Account are used, subscription proceeds in the Offering Account will not bear interest.

CAPITALIZATION

The Company is authorized under its Certificate of Formation to issue three hundred million (300,000,000) of which two hundred million (200,000,000) are designated as shares of common stock, par value \$0.01 per share, and one hundred million (100,000,000) are designated as shares of preferred stock. After giving effect to this Offering, assuming the maximum sale of 2,500,000 Units being offered hereby, the Company will have 2,500,000 Class A Common Shares issued and outstanding, 5,033,123 Class B Common Shares, and 2,500,000 Perpetual Preferred issued and outstanding.

The following table sets forth the ownership before the offering:

	Class A Common Shares	Class B Common Shares	Ownership Percentage
Chan Heng Fai	0	4,775,523	95%
Frank Heuszel	0	257,600	5%
Total	0	5,033,123	100%

The following table sets forth the ownership after a subscription of 2,500,000 Units pursuant to the Offering:

	Class A Common Shares	Class B Common Shares	Common Share Percentage (Voting Share Percentage)*	Perpetual Preferred Shares	
Chan Heng Fai	0	4,775,523	63% (90%)	0	
Frank Heuszel	0	257,600	3% (5.0%)	0	
Offering Investors	2,500,000	0	33% (5%)	2,500,000	
Total	2,500,000	5,033,123	100% (100%)	2,500,000	

*Approximate

The following table sets forth:

- the Company's capitalization based on the issuance of 100,000 restricted shares of common stock of the Company upon formation in November 2016 to Mr. Chan; and
- On April 4, 2019, the Company issued 1,906,090 shares of common stock to Mr. Chan in consideration for the acquisition of 92,980 shares which at the time, represented 5.0% of the common stock of OBH. As of December 31, 2019, the 92,980 shares of common stock of OBH represent 3.2% of the 2,853,171 outstanding shares of OBH. (Mr. Chan is a shareholder and member of the Board of Directors of OBH; and
- On April 4, 2019, the Company issued 550,000 shares of common stock to Mr. Chan, at a purchase price of \$0.01 per share; and
- On June 30, 2019, the Company issued 2,219,433 shares and 257,600 shares of common stock in consideration for their contributions (whether of funds, services or otherwise), to Mr. Chan and Mr. Heuszel, respectively; and
- The Company's pro forma capitalization giving effect to the sale of the maximum number of Units in this Offering.

	American Pacific Bancorp, Inc. Pro Forma Based Upon the Sale in the Offering at \$6.00 per Unit Maximum of 2,500,000 Units
Common Shares Class A Common Shares, \$0.01 par value, 3,333,333, issued and outstanding	\$25,000
Common Shares Class B Common Shares, \$0.01 par value 5,033,123, issued and outstanding	\$50,331
Preferred Shares Series A 5% Cumulative Perpetual Preferred Stock, 2,500,000 issued and outstanding	\$25,000
Additional Paid-in Capital	\$16,427,000
Retained Earnings	(\$748,000)
Total Equity Capital(1)	\$15,755,997

(1) Does not reflect the impact of expenses incurred by the Company in connection with this Offering.

DIVIDEND POLICY

Perpetual Preferred

The following summary of the terms and provisions of the dividend policy of the Series A 5% Cumulative Perpetual Preferred Stock does not purport to be complete and is qualified in its entirety by reference to our Certificate of Incorporation and the Certificate of Designation establishing the Series A 5% Cumulative Perpetual Preferred Stock, each of which is or will be incorporated by reference in this Memorandum.

The Perpetual Preferred pays an annual five percent (5%) dividend, paid semi-annually, when and if declared by the Board. Holders of Perpetual Preferred shall be entitled to receive, on each share of Perpetual Preferred, out of funds legally available for the payment of dividends under Texas law, cumulative cash dividends with respect to each Dividend Period (as defined below) at a per annum rate of 5% on (i) the amount of \$6.00 per share of Perpetual Preferred and (ii) the amount of accrued and unpaid dividends on such share of Perpetual Preferred, if any (giving effect to (A) any dividends paid through the Dividend Payment Date (as defined below) that begins such Dividend Period (other than the initial Dividend Period) and (B) any dividends (including dividends thereon at a per annum rate of 5% to the date of payment) paid during such Dividend Period). Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each Dividend Payment Date (i.e., no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable in arrears, but only when, as and if declared by the Board of Directors on each of March 31 and September 30 (each, a “Dividend Payment Date”), commencing on March 31, 2020; provided that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any dividend payable on Perpetual Preferred on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day. Dividends payable on the Perpetual Preferred in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on the Perpetual Preferred on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month. Dividends that are payable on Perpetual Preferred on any Dividend Payment Date will be payable to holders of record of Perpetual Preferred as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date (as originally scheduled) or such other record date fixed by the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day. Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the Original Issue Date of the Perpetual Preferred) and shall end on and include the calendar day next preceding the next Dividend Payment Date. Dividends payable in respect of a Dividend Period shall be payable in arrears on the first Dividend Payment Date after such Dividend Period. Holders of Perpetual Preferred shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Perpetual Preferred subject to the other provisions of the Certificate of Designations.

For purposes of this summary, “Junior Stock” means the Common Stock and any other class or series of stock of the Company (other than Perpetual Preferred) that ranks junior to Perpetual Preferred either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Company and “Parity Stock” means any class or series of stock of the Company (other than Perpetual Preferred) that ranks equally with Perpetual Preferred both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).

So long as any share of Perpetual Preferred remains outstanding, no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), and no Common Stock, Junior Stock or Parity Stock shall be purchased, redeemed or otherwise acquired for consideration by the Company, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock or of one share of Parity Stock for or into another share of Parity Stock (with the same or lesser per share liquidation amount) or Junior Stock) during a Dividend Period, unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable, dividends on such amount), on all outstanding shares of Perpetual Preferred have been declared and paid in full (or declared and a sum sufficient for the payment thereof has been set aside for the

benefit of the holders of shares of Perpetual Preferred on the applicable record date). When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon the Perpetual Preferred and any shares of Parity Stock, all dividends declared on the Perpetual Preferred and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the Perpetual Preferred (including, if applicable, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other. Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the Perpetual Preferred shall not be entitled to participate in any such dividends.

Common Stock

Until it is consistently profitable, the Company does not plan to pay dividends on its Common Shares. The declaration and payment of dividends on the Common Shares will depend upon the Company's earnings, financial condition, liquidity, capital requirements, the general economic and regulatory climate, the Company's ability to service any equity or debt obligations senior to the Common Shares and other factors deemed relevant by the board of directors of the Company. Additionally, depending upon the investments made or applied for, certain regulatory authorities may determine, under circumstances relating to that investment(s), that the payment of dividends would be an unsafe or unsound practice and may prohibit dividend payments. Further, there are certain restrictions on the payment of these dividends imposed by federal banking laws, regulations and authorities. See "*Risk Factors—There are restrictions on the Company's ability to pay dividends*" and "*Regulation and Supervision.*" Further, the dividend policies of the Company are subject to the discretion of its board of directors.

Furthermore, the Federal Reserve has indicated that bank holding companies should carefully review their dividend policy in relation to the organization's overall asset quality, level of current and prospective earnings and level, composition and quality of capital. The guidance provides that a bank holding company, inform and consult with the Federal Reserve prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in an adverse change to a bank holding company's capital structure.

BUSINESS

American Pacific Bancorp, Inc.

American Pacific is a for-profit Texas corporation, organized for the purposes of being a bank holding company, focused on (i) acquiring equity investments in bank(s) or other bank holding companies, and (ii) establishing or acquiring subsidiaries that engage in nonbanking activities closely related to banking, including mortgage banking, trust company, banking technology, loan servicing, leasing, problem asset management, real estate appraisal, certain real estate title insurance related activities, financial and investment advisory activities, management consulting, and advisory capital raising services. The Company is seeking to raise capital, including from accredited investors, to support its business plan and acquire certain businesses.

Our Vision:

American Pacific is managed by a team of bankers and entrepreneurs whose shared vision is to build a robust, integrated technologically advanced bank holding company. We envision establishing a unique, customer-centric, globally focused entity that provides banking services through digital channels.

Our vision for the Company is to also build banking relationships and invest in community banks by acquiring equity positions and investing in their future. We want to provide our community banks and their customers with the resources, products and capital to help them succeed, which will add to our own success. Further, we plan to provide an array of mobile technology products, banking related services and a digital platform to our customers, our community banks and their customers. We will build a network of banking services and community banks that will open new and previously unavailable customer markets for them and provide them with products to expand their resources and increase profitability.

Technology is revolutionizing the global banking and micro-payment industry and expanding the gulf between the “haves” and the “have-nots”. Our vision is to offer a solution to those community banks who are currently the “have-nots.” We want to provide them access to cutting-edge banking technologies and global mobile banking apps that will reduce transaction costs, improve operational efficiencies and increase customer engagement and retention.

In addition, we will provide banks with capital to meet asset growth, improve products and services, and invest in digital technology. We offer a one-stop solution for the small to midsize community banks for their capital and technological needs.

Business Plan:

American Pacific Bancshares is managed by a team of bankers and entrepreneurs whose shared vision is to build a robust, integrated technologically advanced bank holding company. We envision establishing a unique, customer-centric, globally focused entity that provides banking and non-banking services through digital channels. American Pacific Bancorp intends to offer an array of products and services either through its bank holding company(ies), its banking operations, and/or real estate title company to the banking community as well as to underserved businesses. The Company’s business plan includes the following primary business lines or products:

- | | |
|--|--|
| 1) Deposit Services | 8) Loan Syndication |
| 2) Commercial Lending | 9) Escrow Services |
| 3) Mortgage Loans | 10) Product Manufacturing Financing
- For MLM Companies |
| 4) Receivable Factoring | 11) Credit Card |
| 5) Personal Loans | 12) Digital Custodian Services |
| 6) Land and Property Development Loans | |
| 7) Family Trust Services | |

Management’s Strategic Business Plan prioritizes the following actions:

1. Re-Vitalizing Grand Rivers Community Bank:

Immediate actions will be taken to re-capitalize and revitalize Grand Rivers Community Bank to be an important cog in the development of the Company and its long-term business plans. We plan to make Grand Rivers Community Bank a strongly-capitalized, well-managed, high asset quality, fully compliant community bank, and to embrace the use of technology to serve its client’s faster and more efficiently. We plan to make immediate investments into technologies that will transform the bank from a paper and branch-based bank to a digitized and networked banking services provider.

We intend to provide Grand Rivers Community Bank’s management and its customers with the resources, products and capital to facilitate immediate change. Grand Rivers’ customers will be provided an array of mobile technology products, banking related services and a digital platform of banking related services that will improve the customer experience and establish Grand Rivers as a regional leader in banking technology. Further, these changes will allow Grand Rivers to open new and previously unavailable customer markets to them and provide them with products to increase profitability. But as importantly, these enhancements will allow Grand Rivers to provide the Company with the depository and banking transactional services to support and accelerate the Company’s overall business plan.

2. Establishing a Loan Syndication and Underwriting Division:

The Company will establish a loan origination and underwriting division that will specialize in M&A acquisition

financing, large Commercial C&I working capital or capital expenditures financing, and CRE project financing. While the Company will retain some part of the loan origination(s) for its own portfolio, most of the loan will be either participated or worked into a multi-bank syndication. This line of business is anticipated to provide significant reoccurring fee income from not only the origination fee, but also from periodic loan servicing fees. To fully serve this business line, loan production offices will be established in Chicago, Houston and/or New York.

3. Launching Multi-level Marketing Financing Division:

The Company intends to provide inventory financing and related financial services to the Multi-level Marketing or Direct Marketing (“MLM”) industry. While the MLM industry is well-known for its double-digit profit margins and quickly turning receivables, the industry is not served by traditional bank financing. Lending to this industry is served by only a few private lenders at very attractive return rates of 12% or more. The MLM industry sells products and services directly to the public, *e.g.* by social networks, person-to-person, or telephone selling, rather than through retailers. Per the Direct Selling Association, 18.6 million people in 2017 were involved in direct selling in just the United States, which is the world's largest direct selling market with annual sales exceeding \$34.9 billion. In Texas alone, MLM sales in 2018 exceeded \$5 billion. Our management team is extremely familiar with the industry and the Company is confident about the opportunity to provide secured inventory and accounts lending programs to serve the hundreds of MLM companies in the US that will allow them to produce and market their products, and to grow.

4. Initiating and Accounts Receivable Factoring Group:

The Company’s strategic business plan also includes developing a Receivable Factoring Group. Receivable factoring is a solution that allows business owners to quickly turn their invoices into working capital. Instead of waiting for weeks or months for customers to pay their invoices, accounts receivable financing lets business owners get an advance on those invoices, at a risk assessed discount. The value to the customer is that it can immediately use the cash for pressing business needs instead of waiting for weeks or months for the invoices to be paid. This product line is intended to serve businesses that have long net payment terms from their customers but have ongoing operational expenses or product development expenses needed to help propel growth. It is an industry that executive management has had significant experience and profitable success.

5. Incorporating Other Escrow, Trust and Custodial Services:

The Strategic Business plan also provides for the formation of a Trust, Escrow and Custodial services division that will provide independent third-party safeguarding of funds and/or products involved in complex business transactions, companies in need of an experienced corporate trustee, for bankruptcy estates, and for personal asset and income management. Corporate plans provide for this service to be opened either through formation, acquisition or title company expansion, within the first year.

6. Continuing To Assemble A Top Management And Advisory Team:

American Pacific will continue to assemble and recruit a top management team to manage and serve the goals and culture of the company.

Corporate Goals and Values:

The Company’s goal is to operate a respected and exceptional banking investment and services company by providing capital to well-managed community-oriented financial institutions, the highest quality financial products and services to our customers, the opportunity for personal and professional growth to its employees, and an attractive return to stockholders. To do so, the Company will employ the following principles to achieving this mission:

Innovation: The Company is committed to banking innovation, especially technological and operating efficiencies. We are committed to anticipating, understanding, and meeting our customers’ business needs and expectations. Innovation in everything we do is essential for our long-term financial success.

Integrity: The Company intends to operate and serve as a community banking leader by cultivating and demonstrating an environment of honesty, sincerity, and trust, in which we are fair and ethical in all we do. We intend

to be responsible stewards of our resources, people, community, and world.

Accountability: The Company is committed to fostering an environment where every member of the corporate team is responsible for upholding and reinforcing our values. We take responsibility for our performance in all of our decisions and actions.

Results: The Company recognizes the impact we make in our communities, and the obligations we have to every one of our investors. The Company intends to operate and serve as a community banking leader focused on meeting the specific needs of our customer and community. We are a trusted, results- oriented corporate partner.

Our Competitive Strengths

We believe that we are well-positioned to create value for our shareholders, particularly as a result of our attractive markets and the following competitive strengths:

- ***Experienced Management Team.*** Our management team has a long and successful history of managing banks, with an average of 35 years of banking experience across for the senior executives. Our directors have a demonstrated track record of managing growth profitably, maintaining a strong credit culture and implementing a relationship-based approach to banking.
- ***Technology Infrastructure in Place for Growth.***
- ***Business Focus.*** Our principal business objective is to (1) to properly serve our market and our customers, and (2) provide attractive risk-adjusted return to our stockholders through a combination of sustainable and increasing revenue growth that allows us to pay reliable, dividends, and potential long-term appreciation in the value of the bank and non-banking businesses lines.

Our Operating Strategy

Our goal is to become the bank of choice in the markets that we serve, while seeking to provide an attractive return to our shareholders. We have implemented the following operational strategies to achieve this goal:

Focus on customer satisfaction.

Continue to maintain strong credit quality.

Maintain Strong Capital.

Focus on Protecting a Fair Net Interest Margin.

Our Markets

While the Company will have significant immediate presence in Texas, Florida, Maryland, and Illinois, its market place will generally cover all of the United States.

With the acquisition of Main Street Bancshares, Inc., the organization will immediately have two geographically well-placed, financial cornerstones. The Company's assets will include two US bank holding companies (*APB: a Texas Bank holding company and Main Street Bancshares, Inc.: an Illinois bank holding company*), an Illinois state-chartered bank, and a real estate title company. Management believes that there is a significant operational advantage of operating two US Bank holding companies, as each bank holding company can engage directly or indirectly in activities that are closely related to banking—as defined by the Bank Holding Company Act—but not permitted for banks themselves, including purchasing and managing a problem loan portfolio, securities underwriting activities, insurance underwriting activities and merchant banking. Operating two independent bank holding companies will not change any regulatory supervision or applicable regulatory provision, but it will allow the Company to provide a larger national coverage for loan syndications and banking connections. Further, this diversification and duplication will allow the Company to stratify its lending and financial services by region, products and industry.

As a Texas bank holding company and with experienced 30+ years Texas bankers, APB is located and primed to take advantage, with its proposed business lines, of one of the world's hottest economy and financial markets. Texas is the home to over 430 FDIC insured banks and bank holding companies headquartered just in Texas, and over 1200 branches of other regional banks. Each of these financial institutions represent a customer and investment opportunity. Further, the economy of Texas is the second largest in the United States. It has a gross state product of \$1.803 trillion (2018), the second largest in the U.S. As of 2019, Texas was home to 12 of the top 100 companies on the Fortune 500 list. In 2017, Texas grossed more than \$264.5 billion a year in exports—more than the exports of California (\$172 billion) and New York (\$77.9 billion) combined. Houston is the world's recognized center for Oil & Gas and a world renowned Medical center. Further, Dallas, Texas is one of the fastest growing markets in the US and has a diverse economy which includes, defense, financial services, information technology, telecommunications, and transportation. As a sovereign country (2018), Texas would have been the 10th largest economy in the world by GDP (ahead of South Korea, Russia, Australia, and Canada).

Further, the acquisition of Main Street Bancshares will allow the Company to establish a financial presence in the State of Illinois, and specifically in the city of Chicago, and in smaller metropolitan areas of the US like St. Louis, Mo., Memphis and Nashville, Tn. Chicago is a recognized US banking and a global financial center that will allow the Company's regional and national access to loan syndications and the investment banking community. The economy of Illinois is the fifth largest by GDP in the United States and one of the most diversified economies in the world. Chicago is also home to the largest futures exchange in the world, the Chicago Mercantile Exchange.

Grand Rivers Community Bank will continue to serve and grow its local market with depository and lending services and to do so as a well-capitalized regional bank in the southern Illinois area. As a bank and a member of the FDIC, GRCB will be able to provide depository services to the Company and for its customers. Grand Rivers will be able to provide the conventional lending products like Home Mortgages, Commercial lending products and consumer and personal loans. Further, GRCB will provide our customers with access to Merchant Credit Card processing.

Corporate Information

Our principal executive office is located at 4800 Montgomery Lane, Suite 210, Bethesda, Maryland, USA 20814 and our telephone number is (301) 971-3940.

Legal Proceedings

The Company is not a party to any legal proceedings.

OPERATIONS OF GRAND RIVERS

Grand Rivers operates as a community-oriented institution with a strong focus on customer service. Commercial real estate loans followed by 1-4 family residential mortgage loans constitute the largest concentrations in the Bank's portfolio composition. In addition, the Bank originates non-real estate business loans, including agricultural production loans, and consumer installment loans. The Bank has also previously originated construction and land development loans and it anticipates continuing to do so after the acquisition transaction. The Bank's deposits are gathered from the general public through a variety of deposit account offerings, including interest-bearing and noninterest-bearing demand accounts, savings accounts, money market accounts and certificates of deposit. The other business activities of the Bank generally encompass all of the customary functions of its commercial bank competitors, including drive-up and ATM facilities, night depository services, safe deposit box rentals, debit cards and other traditional banking services. In addition, business and consumer Internet banking and mobile banking services are offered. The Bank outsources its core processing to Fiserv.

Following completion of the acquisition transaction, it is anticipated that the Bank will have a total of five board members, including to be newly appointed Chief Executive Officer ("CEO") Frank Heuszal and to be newly appointed Bank President Jim Stroud. Also serving as Bank Board members will be Mr. Chan, majority shareholder of American Pacific and independent directors Brent Clark and Melissa Sims.

The following individuals will comprise the management team of the Bank, following the close of the acquisition transaction:

- Frank Heuszel, CEO
- Mr. Jim Stroud, President
- Whitney Stringer, Chief Operations Officer
- Vannon Morse, Chief Financial Officer

The management team of the Bank brings a strong blend of substantial industry experience, regulatory experience and local market knowledge. Frank Heuszel has 40 years of experience in banking, accounting and finance, auditing and turnaround management. Jim Stroud also brings over 35 years of lending and executive officer experience at banks in the southern Illinois market. Whitney Stringer has served at Grand Rivers for approximately 13 years and currently serves as CEO and Director. Over the past several years Whitney has managed all areas of the Grand Rivers' operations at a "hands-on" level and actively led Grand Rivers' efforts to address regulatory issues and concerns and the Board's efforts to explore and execute strategic solutions for Grand Rivers and its shareholders. Vannon Morse is a retired examiner with the Illinois Division of Banking. Over the past three years, he has served Grand Rivers, in the areas of financial management and credit risk management. The continued role of Ms. Stringer and Mr. Morse on the management team of Grand Rivers brings valuable continuity for the bank internally, in the market place and with its regulatory bodies, as Grand Rivers recapitalizes and executes on a new long-term strategic direction in connection with the acquisition transaction. Grand Rivers has no employment agreements. As of March 31, 2018, Grand Rivers had 16 full-time equivalent employees and the Title Company had 2 fulltime equivalent employees. Main Street had no employees as of December March 31, 2019.

Since 2016, Grand Rivers has focused on developing and implementing strategies to stabilize the financial condition of Grand Rivers and achieve compliance with the requirements of consent orders with the Illinois Division of Banking and the FDIC. Such strategies and actions have included the following:

- Reducing total assets of the Bank to support stronger regulatory capital ratios.
- Reducing the volume of criticized loans and developing action plans to address remaining criticized loan relationships.
- Engaging a qualified independent consulting firm to perform an extensive loan portfolio review in early 2017 to identify all credit relationships which exhibit elevated risk and required increased monitoring and action plans to reduce risk.
- Hiring Vannon Morse to assist in the management of criticized assets and other matters related to compliance with the consent orders and regulatory examinations.
- Reducing core operating losses through reduction of administrative staff and settlement of legal matters.

MARKETS

The Bank's markets are rural in nature and are strongly impacted by the local agricultural economy. Grand Rivers' headquarters office in Grand Chain and its branch office in Karnak are both located in Pulaski County, Illinois. Per the 2010 census data, Pulaski County had a population of 6,161 people, the Village of Karnak had a population of 499 people and the zip code area surrounding the Village of Grand Chain had a population of 779 people. Grand Rivers' branch office in Shawneetown is in Gallatin County, Illinois. Shawneetown is the county seat of Gallatin County and had a population of 1,239 people per the 2010 census data. In addition to Grand Rivers' operating markets described above, a significant portion of Grand Rivers' current loan portfolio consists of borrower relationships in Harrisburg, Illinois and surrounding areas in Saline County, Illinois. The populations of Harrisburg and Saline County per the 2010 census data were 9,028 and 24,913 people, respectively.

PREMISES

Grand Rivers leases its bank offices in Grand Chain, Karnak and Shawneetown from Main Street. Each lease has an initial term of 15 years with a termination date of November 1, 2030, and a tenant renewal option for an additional 15 years. Monthly and annual rent amounts for the initial 15-year terms are shown below. Rent amounts for the optional renewal terms will equal to the market rate at the time of renewal. Under the terms of the leases, Grand Rivers is required

to pay all utilities, repair and maintenance, and taxes due related to the respective premises. Both the Karnak and Shawneetown offices have ATMs and Drive-Up facilities.

REGULATORY ADMINISTRATIVE ACTIONS

In 2016, as a result of an examination by its primary regulators, Grand Rivers entered into two consent orders outlining various corrective actions for Grand Rivers to implement. The requirements under the two consent orders are very similar and collectively encompass the following areas:

- Retaining qualified management
- Obtaining a management study by a qualified party and developing a plan to strengthen management consistent with the recommendations in the study
- Increasing the participation level of the Board of Directors in the affairs of Grand Rivers
- Achieving and maintaining minimum regulatory capital levels of: (i) 9.0% or more Tier 1 leverage capital, (ii) 13.0% or more total risk-based capital, and (iii) a Liquidity Ratio of 15%.
- A restriction on dividend payments unless prior regulatory approval is received
- A general prohibition on additional loans to classified borrowers
- Correcting deficiencies identified in credits rated Special Mention
- Development of written plans to reduce delinquencies and classified credit volume
- Plans to improve the credit underwriting and approval process and criteria
- Reducing and managing concentrations of credit
- Ensuring that the Board reviews and approves Grand Rivers' allowance for loan losses calculation quarterly prior to submission of Grand Rivers' Call Report
- Eliminating or correcting identified loan documentation exceptions
- The establishment of an active Loan Committee
- The development and implementation of a revised loan policy
- The establishment of an effective loan review and risk grading system
- Correcting identified violations of laws, rules and regulations
- Develop of a profit plan and annual budget
- Development of a strategic plan
- Asset growth restrictions
- Required internal audit and external audit programs
- Development and/or strengthening of internal controls over various internal routines
- Strengthening Grand Rivers' liquidity position and developing a contingency funding plan
- Strengthening Grand Rivers' interest rate risk management systems and plans
- Notification of the consent orders to shareholders

As required under each consent order, Grand Rivers has been submitting quarterly progress reports to the Illinois Division of Banking and the FDIC regarding Grand Rivers' compliance with each article of the consent orders. The Company believes and expects that that these regulators will lift the consent orders after the Company's acquisition of Main Street and Grand Rivers. As a condition for approval of the acquisition, these regulators will require that all or most of the elements of the consent order to be satisfied. The Company expects that Grand Rivers will continue to comply with all the regulations it is subject to.

LITIGATION MATTERS

Grand Rivers is not a party to any material legal proceedings.

MANAGEMENT OF AMERICAN PACIFIC BANCORP, INC.

General

Pursuant to the Bylaws, the directors of the Company will be elected by the shareholders at the Company's annual

meeting. The directors hold office for one year terms or until they may resign and their successors are elected and qualified. The executive officers of the Company are elected by the board of directors of the Company and hold office at the pleasure of the Board.

Executive Management and Board of Directors

The Company firmly believes that strong management is essential to creating growth and prudently managing risk. Mr. Chan serves as the Company's Chairman. The Company's CEO is Mr. Heuszel. As events and transactions dictate the Company plans to hire other critical senior management positions including a Chief Financial Officer with substantial banking and M&A experience.

The board of directors has ultimate authority for governance and oversight of the Company and its subsidiaries. Under the terms of the Company's Certificate of Formation and/or its By-Laws, the board of directors is elected at the annual meeting of shareholders, or special meeting in lieu thereof. The Company currently has (2) two Directors who serve the Company: Mr. Chan and Mr. Heuszel. Pursuant to the Company's Bylaws, the Board or shareholders (at a properly called meeting of the shareholders) may elect to increase the number of Board members. The Company may later decide to proceed without one or more of the aforementioned individuals as a director and/or add other individuals to serve as directors of the Company.

The following table sets forth the names, ages and titles of the Company's directors and executive officers as of the date of this Memorandum.

<u>Name</u>	<u>Age</u>	<u>Title</u>
Chan Heng Fai	75	Chairman of the Board
Frank D. Heuszel	63	Director & CEO

Brief biographical information regarding the individuals who currently serve on the board and as management is set forth below.

Chan Heng Fai, Director & Chairman of the Board.

Since April 2014, Mr. Chan has served as the Chief Executive Officer of Singapore eDevelopment Ltd. and as a director since May 2013. Since March 2018, Mr. Chan has also served as the Chairman of the Board and CEO of HF Enterprises, Ltd.

He has served as a non-executive director of Document Security Systems, Inc. since January 2017. He has also served as a non-executive director of SeD Intelligent Home Inc. since January 2017. Mr. Chan has also served as a non-executive director of Holista CollTech Ltd., since July 2013. Additionally, Mr. Chan currently serves as a non-executive director of HotApp Blockchain Inc. since October 2014, and of RSI International Systems, Inc., the developer of RoomKeyPMS, a web-based property management system, since June 2014.

From 1992 to 2015, Mr. Chan served as Managing Chairman of Hong Kong-listed ZH International Holdings, Ltd. ("ZH Holdings," formerly known as Heng Fai Enterprises Limited), an investment holding company. Mr. Chan was formerly the Managing Director of SingHaiyi Group Ltd., a public Singapore property development, investment and management company ("SingHaiyi"), from March 2003 to September 2013, and the Executive Chairman of China Gas Holdings Limited, an investor and operator of the city gas pipeline infrastructure in China from 1997 to 2002.

From December 2013 to July 2015, Mr. Chan served as the Chairman of the Board of Global Medical REIT, Inc. Global Medical REIT Inc. is a Maryland corporation engaged primarily in the acquisition of licensed, state-of-the-art, purpose-

built healthcare facilities and the leasing of these facilities to leading clinical operators with dominant market share. Global Medical REIT, Inc. currently has assets of over \$500 million and is traded on the New York Stock Exchange.

He also served as a director of Skywest Ltd., a public Australian airline company from 2005 to 2006. Additionally, from November 2003 to September 2013 he was an Executive Director of SingHaiyi.

In 1987, Mr. Chan acquired American Pacific Bank, a full-service U.S. commercial bank unrelated to the Company, on the verge of bankruptcy for US\$0.25 per share. He recapitalized and grew the bank's operations. Under his leadership, American Pacific Bank became a U.S. NASDAQ high asset quality bank, with zero loan losses for over 5 consecutive years before it was ultimately bought and merged into Riverview Bancorp Inc. for US\$12 per share. Prior to its merger in June 2004, American Pacific Bank achieved a ranking of #21 for performance among all U.S. listed banks in 1997 and was ranked #13 by the Seattle Times "Annual Northwest's Top 100 Public Companies" for the year 2003. It ranked #6 in the Oregon state for the year 2003, ranking ahead of names such as Nike, Microsoft, Costco, AT&T Wireless and Amazon.com.

Frank D. Heuszel, Director & CEO.

The Company's CEO, Mr. Heuszel is an experienced and nationally respected banking executive, a professional attorney and CPA with over 35 years of experience providing legal, risk, and corporate leadership in the US commercial banking sector. Mr. Heuszel graduated from the University of Texas at Austin from the McCombs School of Business and he received his Doctorate of Jurisprudence from South Texas College of Law in 1990. Mr. Heuszel is a Certified Public Accountant (retired), a Certified Internal Auditor, a commercial banker, and a former practicing attorney.

Mr. Heuszel has over 40 years of experience in banking, accounting and finance, auditing, and turnaround management. As a banker, Mr. Heuszel served as Audit Manager, Chief Financial Officer, Senior Lender, and Director of Special Assets, Credit Officer, Director of Compliance, and General Counsel. As the Director of Special Assets for a large national banking organization, his division managed over \$4.6 billion in assets. Because of his 30+ years of managing large corporate reorganization and restructures, Mr. Heuszel is recognized as an expert in the management of troubled companies.

Currently Mr. Heuszel is the CEO and the Interim Chief Financial Officer of Document Security Systems, Inc, a publicly traded company on the NYSE: American exchange under the symbol DSS. Document Security Systems, Inc is a recognized leader in anti-counterfeit, authentication and consumer engagement technologies whose products and solutions are used by governments, corporations and financial institutions to defeat fraud, to help ensure authenticity and engage the consumer in product selection. Mr. Heuszel has served as a director of the Company since July 30, 2018, when he joined the DSS Board as an Independent Director and as Chairman of the DSS Audit Committee. In May 7, 2019, in the DSS Board of Directors appointed Mr. Heuszel as its CEO and Interim Chief Financial Officer.

Upon graduation from the University of Texas, McCombs School of Business, Mr. Heuszel joined Southwest Bancshares, Inc. in Houston Texas, a ~\$3.5 billion organization, as an internal auditor. He quickly rose to Senior Auditor responsible for the auditing of 16 independent banks and divisions of the holding company for both operational and loan quality.

In 1982, Mr. Heuszel became the CFO/Cashier for two of Southwest Bancshares's Houston area banks, Bank of San Felipe Green, N.A. & Capital Bank West Loop, N.A. His responsibilities included all operational, personnel, investments, facility, FDIC call reporting, compliance, and accounting functions for both banks. Upon the merger of Southwest Bancshares and Mercantile Bank in 1985 (creating MBank Houston, N.A.), Mr. Heuszel was promoted to Sr. Vice President, Commercial Lending and managed a \$40 million commercial loan portfolio.

In 1988, Mr. Heuszel joined a small Alabama state bank called Compass Bank which at the time had assets of about \$3.5 billion. He joined them as their SVP, Manager of Special Assets. Over the next 21 years, Compass Bank (now called BBVA Compass) grew to over \$65 billion in assets. Over the last 12 years of his long tenure with Compass as Executive Vice President – Manager, Special Assets Group, he held management responsibility over all commercial problem loans, foreclosed assets and businesses, and loan-related litigation. He led a Special Assets Group team comprised of over 30

lenders, lawyers, and accountants, and 37 underwriters and support staff located across 11 regional offices from Florida to California, servicing a problem loan portfolio consisting of over 2,300 loans. On average, his department managed a \$4.6+ billion commercial problem loan portfolio.

As Compass' Manager of Special Assets, he was responsible for the design and nationwide implementation of credit policies related to all commercial problem loans, their proper loan grading, and the calculation of the related loan loss reserves. Further, during his time with Compass Bank he actively participated in the merger and acquisition of over 25 financial institutions, nonbanking businesses and FDIC failed financial institutions.

In 2011, Mr. Heuszal joined a \$1.4 billion Texas regional bank, Patriot Bank, as its EVP/General Counsel and Manager of Special Assets. At Patriot Bank he served as General Counsel and as a senior executive manager with direct oversight over all litigation, regulatory compliance, outside counsel, vendor management, commercial real estate leases, HR and personnel issues, corporate governance, and as a director of the bank's mortgage company. At the time he joined the bank, the bank needed expertise to turn the bank around. Mr. Heuszal was requested to, and did successfully, (1) solve a portfolio of problem loans that exceed 230% of capital, (2) restore regulator confidence in management, (3) address regulatory identified consumer compliance problems, and (4) assist in taking the bank public or selling the bank. In October 2015, the bank was sold to Green Bancshares, Inc., a publicly traded regional Texas bank.

After the successful merger of Patriot Bancshares, Inc. with Green Bancshares, Inc., in January 2016 Mr. Heuszal established his law practice and bank consulting business. His firm provides legal services focused on banking and finance related matters. His primary clients have been Texas community banks which may be operating under MOU's or under a Cease and Desist Order. One of his expertise is in the management of litigation and problem assets and in providing regulatory guidance and compliance advice.

In October 2016, Mr. Heuszal teamed with Mr. Chan to start-up a Texas bank holding company, American Pacific Bancorp.

Mr. Heuszal is also a member of the Texas State Bar, the Houston Bar Association, Association of Corporate Counsel, Texas Society of Certified Public Accountants, Houston Chapter of Certified Public Accountants, and the State Bar of Texas Bankruptcy Section.

Limitation of Liability and Indemnification of Officers and Directors

The Company's Amended and Restated Certificate of Incorporation provides that the Company's directors and officers will be indemnified and held harmless by the Company to the fullest extent permitted by the Texas Business Organizations Code.

Company Ownership Structure:

Stock Option Plan and Restricted Stock Plan

The Company intends to adopt a Stock Option Plan and a Restricted Stock Plan to provide a means through which the Company and its subsidiaries may attract able employees and whereby the employees, directors, officers, and consultants upon whom the responsibilities of the successful administration and management of the Company and the Bank rely can acquire and maintain stock ownership.

The Company intends to reserve an aggregate number of Class A common stock for issuance under the Stock Option Plan and the Restricted Stock Plan up to eight percent (8%) of the Class A common stocks authorized at any one time. The Company will grant options pursuant to a Stock Option Plan. The Stock Option Plan will be administered by a committee of the board of directors of the Company. The following describes the major anticipated features of the Stock Option Plan:

- The Committee will be permitted to grant nonqualified options under the Internal Revenue Code;
- The duration of the options granted is 10 years;
- The options will have a five (5) year vesting schedule whereby 20 percent will vest each year following the date of the grant;
- The options granted thereunder will not be transferable;
- The exercise price will be the fair market value of the common stock at the time of the grant;
- The options granted under the Stock Option Plan will terminate for unvested options upon any termination of employment; and
- The Stock Option Plan will require the participants to exercise or forfeit their vested options within 90-days of termination of that individual's employment.

At this time, the Company does not have any specific plans to issue options under the Stock Option Plan.

Remuneration of Directors and Officers

The Company intends to enter into an employment agreement with Mr. Chan and Mr. Heuszel in connection with their/his employment as Chairman of the Board of Directors and Chief Executive Officer, respectively, of the Company. The employment agreements are expected to have a 3-year term that will automatically renew for additional one (1) year terms. Under the agreement, Mr. Chan and Mr. Heuszel will be paid an annual salary that has yet to be determined, but to be competitive, and each will be eligible to participate in and receive annual discretionary bonuses as may be approved by the board of directors. Both individuals will also be entitled to other benefits available to all employees such as medical, dental, and life insurance. The Company expects that the agreements will provide that the individuals will also be entitled to a separation payment if his or her employment agreement is terminated for a reason other than death, disability, or cause.

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REGULATION AND SUPERVISION

The United States banking industry is highly regulated under federal and state law. Because the Company's business plan includes investing in banks and bank holding companies, and providing services to banks, bank holding companies and bank customers. These regulations may affect the operations of the Company and its subsidiaries.

Statutes, regulations and policies limit the activities in which the Company may engage and the conduct of its permitted activities. Further, the regulatory system imposes reporting and information collection obligations. The Company incurs significant costs relating to compliance with these laws and regulations. Banking statutes, regulations and policies are continually under review by federal and state legislatures and regulatory agencies, and a change in them, including changes in how they are interpreted or implemented, could have a material adverse effect on the Company's business.

The material statutory and regulatory requirements that are applicable to the Company are summarized below. The description below is not intended to summarize all laws and regulations applicable to the Company, and the description is qualified in its entirety by reference to the full text of the statutes, regulations, policies, interpretive letters and other written guidance that are described herein.

Bank and Bank Holding Company Regulation

The banking entities in which the Company intends to invest may be a state or federally chartered bank, bank holding companies supervised by the Federal Reserve, and foreign chartered bank(s) with ability to operate US banking branches. As a state banking association or a federally chartered bank, the bank is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the FDIC, OCC and/or state departments of banking. Foreign bank branches and agencies operating in the United States are subject to Federal Reserve regulations, and the Federal Reserve examines most foreign bank branches and agencies annually.

Further, any entity that directly or indirectly controls a bank must be approved by the Federal Reserve under the BHC Act to become a bank holding company ("BHC"). BHCs are subject to regulation, inspection, examination, supervision and enforcement by the Federal Reserve under the BHC Act. The Federal Reserve's jurisdiction also extends to any company that is directly or indirectly controlled by a BHC.

The Company, as part of its business plan, shall seek approval to become a BHC as part of its regulatory application process in connection with any banking acquisition. As a BHC, the Company will be subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the Federal Reserve. The Company, as a Texas based bank holding company may also be subject to supervision, regulation, examination and enforcement by the Texas Department of Banking.

FDIC Deposit Insurance

The FDIC is an independent federal agency that insures the deposits of federally insured depository institutions up to applicable limits. The FDIC also has certain regulatory, examination and enforcement powers with respect to FDIC-insured institutions. The deposits of a bank are insured by the FDIC up to applicable limits. As a general matter, the maximum deposit insurance amount is \$250,000 per depositor.

Broad Supervision, Examination and Enforcement Powers

A principal objective of the United States bank regulatory system is to protect depositors by ensuring the financial safety and soundness of banking organizations. To that end, the banking regulators have broad regulatory, examination and enforcement authority. The regulators regularly examine the operations of banking organizations. In addition, banking organizations are subject to periodic reporting requirements.

The regulators have various remedies available if they determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of a banking organization's operations are unsatisfactory. The regulators may also take action if they determine that the banking organization or its management is violating or has violated any law or regulation. The regulators have the power to, among other things:

- enjoin "unsafe or unsound" practices;
- require affirmative actions to correct any violation or practice;
- issue administrative orders that can be judicially enforced;
- direct increases in capital;
- direct the sale of subsidiaries or other assets;
- limit dividends and distributions;
- restrict growth;
- assess civil monetary penalties;
- remove officers and directors; and
- terminate deposit insurance.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. Engaging in unsafe or unsound practices or failing to comply with applicable laws, regulations and supervisory agreements could subject the Company, and subsidiaries of the Company or their officers, directors and institution-affiliated parties to the remedies described above and other sanctions.

Notice and Approval Requirements Related to Control

Banking laws impose notice, approval, and ongoing regulatory requirements on any shareholder or other party that seeks to acquire direct or indirect "control" of an FDIC-insured depository institution. These laws include the BHC Act, the CBCA, and the Savings and Loan Holding Company Act. Among other things, these laws require regulatory filings by a shareholder or other party that seeks to acquire direct or indirect "control" of an FDIC-insured depository institution. The determination whether an investor "controls" a depository institution is based on all of the facts and circumstances surrounding the investment. As a general matter, a party is deemed to control a depository institution or other company if the party owns or controls 25% or more of any class of voting stock. Subject to rebuttal, a party may be presumed to control a depository institution or other company if the investor owns or controls 10% or more of any class of voting stock. Ownership by affiliated parties, or parties acting in concert, is typically aggregated for these purposes. If a party's ownership of the Company were to exceed certain thresholds, the investor could be deemed to "control" the Company for regulatory purposes. This could subject the investor to regulatory filings or other regulatory consequences.

In addition, except under limited circumstances, BHCs are prohibited from acquiring, without prior approval:

- control of any other bank or BHC or all or substantially all the assets thereof; or
- more than 5% of the voting shares of a bank or BHC which is not already a subsidiary.

Permissible Activities and Investments

Banking laws generally restrict the ability of the Company from engaging in, or acquiring 5% or more of the voting shares of a company engaged in, activities other than those determined by the Federal Reserve to be so closely related to banking as to be a proper incident thereto. The GLB Act expanded the scope of permissible activities for a BHC that qualifies as a financial holding company. Under the regulations implementing the GLB Act, a financial holding company may engage in additional activities that are

financial in nature or incidental or complementary to a financial activity. Those activities include, among other activities, certain insurance and securities activities. Qualifications for becoming a financial holding company include, among other things, meeting certain specified capital standards and achieving certain management ratings in examinations. Under the Dodd-Frank Act, BHCs and their subsidiaries must be well-capitalized and well-managed in order for the BHC and its nonbank affiliates to engage in the expanded financial activities permissible only for a financial holding company.

In addition, as a general matter, the establishment or acquisition by the Company of a depository institution or, in certain cases, a non-bank entity, requires prior regulatory approval.

Regulatory Capital Requirements and Capital Adequacy

The federal bank regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. The final supervisory determination on an institution's capital adequacy is based on the regulator's assessment of numerous factors.

Currently, Grand Rivers expect to be subject to the following minimum capital ratios:

- Tier 1 Capital Ratio: 9%
- Total Risk Based Capital: 13%
- Liquidity Ratio: 15%
- No Leverage Ratio requirement.

The Basel III Capital Rules additionally require institutions to retain a capital conservation buffer of 2.5% above these required minimum capital ratio levels. Banking organizations that fail to maintain the minimum 2.5% capital conservation buffer could face restrictions on capital distributions or discretionary bonus payments to executive officers, with distributions and discretionary bonus payments being completely prohibited if no capital conservation buffer exists, or in the event of the following: (i) the banking organization's capital conservation buffer was below 2.5% at the beginning of a quarter; and (ii) its cumulative net income for the most recent quarterly period plus the preceding four calendar quarters is less than its cumulative capital distributions (as well as associated tax effects not already reflected in net income) during the same measurement period.

The Basel III Capital Rules also provide stricter rules related to the risk weighting of past due and certain commercial real estate loans, as well as on some equity investment exposures, and replaces the existing credit rating approach for determining the risk weighting of securitization exposures with an alternative approach.

The enactment of the Basel III Capital Rules may increase the required capital levels of the Company and potentially of any subsidiary of the Company. The Basel III Capital Rules became effective as applied to the Company on January 1, 2015, with a phase in period from January 1, 2015 through January 1, 2019.

Prompt Corrective Action

Under the FDIC, the federal bank regulatory agencies must take "prompt corrective action" against undercapitalized U.S. depository institutions. U.S. depository institutions are assigned one of five capital categories: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized," and are subjected to different regulation corresponding to the capital category within which the institution falls. Currently, a depository institution is deemed to be "well capitalized" if the banking institution has a total risk-based capital ratio of 10.0% or greater, a tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 5.0% or greater, and the institution is not subject to an order, written agreement, capital directive, or prompt corrective action directive to meet and maintain a specific level for

any capital measure. Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. A banking institution that is undercapitalized is required to submit a capital restoration plan. The capital restoration plan will not be accepted by the regulators unless each company having control of the undercapitalized institution guarantees the subsidiary's compliance with the capital restoration plan up to a certain specified amount.

Failure to meet capital guidelines could subject the institution to a variety of enforcement remedies by federal bank regulatory agencies, including: termination of deposit insurance by the FDIC, restrictions on certain business activities, and appointment of the FDIC as conservator or receiver.

As noted above, the Basel III Capital Rules amend the thresholds under the "prompt corrective action" framework enforced with respect to banks by the FDIC to reflect both (i) the generally heightened requirements for regulatory capital ratios; as well as (ii) the introduction of the CET1 capital measure.

Regulatory Limits on Dividends and Distributions

Federal law currently imposes limitations upon certain capital distributions by banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The Federal Reserve and FDIC regulate all capital distributions by a bank, directly or indirectly, to the Company, including dividend payments.

For example, a bank may not pay dividends to the Company if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements, or in the event the FDIC notified a bank that it was in need of more than normal supervision. Under the FDIA, an insured depository institution such as a bank is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become "undercapitalized." Payment of dividends by a bank also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice.

Reserve Requirements

Pursuant to regulations of the Federal Reserve, all banking organizations are required to maintain average daily reserves at mandated ratios against their transaction accounts. In addition, reserves must be maintained on certain non-personal time deposits. These reserves must be maintained in the form of vault cash or in an account at a Federal Reserve Bank.

Limits on Transactions with Affiliates and Insiders

Insured depository institutions are subject to restrictions on their ability to conduct transactions with affiliates and other related parties. Section 23A of the Federal Reserve Act imposes quantitative limits, qualitative requirements, and collateral requirements on certain transactions by an insured depository institution with, or for the benefit of, its affiliates. Transactions covered by Section 23A include loans, extensions of credit, investment in securities issued by an affiliate, and acquisitions of assets from an affiliate. Section 23B of the Federal Reserve Act requires that most types of transactions by an insured depository institution with, or for the benefit of, an affiliate be on terms at least as favorable to the insured depository institution as if the transaction were conducted with an unaffiliated third party.

As noted above, the Dodd-Frank Act generally enhances the restrictions on transactions with affiliates under Section 23A and 23B of the Federal Reserve Act, including an expansion of the definition of "covered transactions" and a clarification regarding the amount of time for which collateral requirements regarding covered credit transactions must be satisfied. The ability of the Federal Reserve to grant exemptions from

these restrictions is also narrowed by the Dodd-Frank Act, including by requiring coordination with other bank regulators.

The Federal Reserve's Regulation O and FDIC regulations impose restrictions and procedural requirements in connection with the extension of credit by an insured depository institution to directors, executive officers, principal shareholders and their related interests.

Brokered Deposits

The FDIA restricts the use of brokered deposits by certain depository institutions. Under the applicable regulations, (i) a "well capitalized insured depository institution" may solicit and accept, renew or roll over any brokered deposit without restriction, (ii) an "adequately capitalized insured depository institution" may not accept, renew or roll over any brokered deposit unless it has applied for and been granted a waiver of this prohibition by the FDIC and (iii) an "undercapitalized insured depository institution" may not accept, renew or roll over any brokered deposit. The FDIC may, on a case-by-case basis and upon application by an adequately capitalized insured depository institution, waive the restriction on brokered deposits upon a finding that the acceptance of brokered deposits does not constitute an unsafe or unsound practice with respect to such institution.

Deposit Insurance Assessments

FDIC-insured depository institutions are required to pay deposit insurance assessments to the FDIC. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. Deposit insurance assessments fund the DIF. As noted above, the Dodd-Frank Act changed the way an insured depository institution's deposit insurance premiums are calculated. These changes may impact assessment rates, which could impact the profitability of operations.

Depositor Preference

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If the Company invests in or acquires an insured depository institution that fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the Company, with respect to any extensions of credit they have made to such insured depository institution.

Anti-Money Laundering and OFAC

Under federal law, financial institutions must maintain anti-money laundering programs that include established internal policies, procedures, and controls; a designated compliance officer; an ongoing employee training program; and testing of the program by an independent audit function. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and customer identification in their dealings with non-financial institutions and non-U.S. customers. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions, and law enforcement authorities have been granted increased access to financial information maintained by financial institutions. Bank regulators routinely examine institutions for compliance with these obligations, and they must consider an institution's compliance with such obligations in connection with the regulatory review of applications, including applications for banking mergers and acquisitions. The regulatory authorities have imposed "cease and desist" orders and civil money penalty sanctions against institutions found to be violating these obligations.

The United States Department of the Treasury's Office of Foreign Assets Control (the "OFAC") is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of persons, organizations, and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. If the Company or a bank investment finds a name on any transaction, account or wire transfer that is on an OFAC list, the Company or that bank must freeze or block such account or transaction, file a suspicious activity report and notify the appropriate authorities.

Consumer Laws and Regulations

Banking organizations are subject to numerous laws and regulations intended to protect consumers. These laws include, among others:

- Truth in Lending Act;
- Truth in Savings Act;
- Electronic Funds Transfer Act;
- Expedited Funds Availability Act;
- Equal Credit Opportunity Act;
- Fair and Accurate Credit Transactions Act;
- Fair Housing Act;
- Fair Credit Reporting Act;
- Fair Debt Collection Act;
- Gramm-Leach-Bliley Act;
- Home Mortgage Disclosure Act;
- Right to Financial Privacy Act;
- Real Estate Settlement Procedures Act;
- Laws regarding unfair and deceptive acts and practices; and
- Usury laws.

Many states and local jurisdictions have consumer protection laws analogous, and in addition to, those listed above. These federal, state and local laws regulate the manner in which financial institutions deal with customers when taking deposits, making loans, or conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general, and civil or criminal liability. The creation of the CFPB by the Dodd-Frank Act has led to enhanced enforcement of consumer financial protection laws.

The Community Reinvestment Act

The CRA is intended to encourage banks to help meet the credit needs of their service areas, including low and moderate-income neighborhoods, consistent with safe and sound operations. The bank regulators examine and assign each bank a public CRA rating. The CRA then requires bank regulators to take into account the federally insured bank's record in meeting the needs of its service area when considering an application by a bank to establish or relocate a branch or to conduct certain mergers or acquisitions. The Federal Reserve is required to consider the CRA records of a BHC's controlled banks when considering an application by the BHC to acquire a banking organization or to merge with another BHC. When the Company or the Bank applies for regulatory approval to engage in certain transactions, the regulators will consider the CRA record of target institutions and the target bank. An unsatisfactory CRA record could substantially delay approval or result in denial of an application. The regulatory agency's assessment of the institution's record is made available to the public.

Changes in Laws, Regulations or Policies

Federal, state and local legislators and regulators regularly introduce measures or take actions that would modify the regulatory requirements applicable to banks, their holding companies and other financial institutions. Changes in laws, regulations or regulatory policies could adversely affect the operating environment for the Company in substantial and unpredictable ways, increase the cost of doing business, impose new restrictions on the way in which the Company conducts its operations or add significant operational constraints that might impair profitability. The Company cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any implementing regulations, would have on a bank's business, financial condition or results of operations. The Dodd-Frank Act is in the process of imposing substantial changes to the regulatory framework applicable to the Company and a bank. The majority of these changes will be implemented over time by various regulatory agencies. The full effect that these changes will have on the Company remains uncertain at this time and may have a material adverse effect on its business and results of operations.

Effect on Economic Environment

The policies of regulatory authorities, including the monetary policy of the Federal Reserve, have a significant effect on the operating results of bank holding companies and their subsidiaries. Among the means available to the Federal Reserve to affect the money supply are open market operations in U.S. government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements against member bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid for deposits.

Federal Reserve monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future. The nature of future monetary policies and the effect of such policies on the business and earnings of the Company and its subsidiaries cannot be predicted.

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ADDITIONAL INFORMATION

The statements contained in this Memorandum with respect to the contents of any contract or document described herein are not necessarily complete and each such statement is qualified in its entirety by reference to such contracts, documents or otherwise. Copies of all documents and agreements referred to or described herein applicable to the Company that are not included with this Memorandum.

The Company will answer all reasonable inquiries from investors and/or their adviser(s) relating to this Offering and will provide potential investors the opportunity to obtain any additional information (to the extent the Company possesses such information or can acquire it without unreasonable effort or expense) necessary to verify the accuracy of the information set forth in this Memorandum. Investors may be required to sign non-disclosure agreements to protect confidential information before receiving information.

If you have any questions regarding this Offering, or desire any additional information or documents to verify or supplement the information contained in this Memorandum, please write or call the Company.

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