Solera National Bancorp, Inc.
Form 253G2
February 12, 2018
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Filed Pursuant to Rule 253(g)(2)

File No. 024-10756

Purchase One Share of Common Stock for Every Two Shares Owned
at $7.25 Per Share

We are offering for sale up to 1,365,656 shares of our common stock on a best efforts basis by distributing, at no charge to certain of our stockholders, non-transferable subscription rights to purchase all 1,365,656 of such shares as described further below, in addition to a related over-subscription privilege. The purchase price is $7.25 per share. Subscription rights will be distributed to certain persons who owned shares of our common stock as of 5:00 p.m., Mountain Time, on January 29, 2018, the record date for the offering. There is no minimum purchase requirement and we are not required to sell any minimum number of shares in this offering. We will not escrow your subscription funds. See TERMS OF THE OFFERING.

Although our common stock is quoted on the OTC-Pink (symbol SLRK), there has been a limited trading market in our common stock and it is not anticipated that an active market will develop as a result of this offering. See RISK FACTORS and MARKET INFORMATION AND DIVIDEND POLICY AND RELATED MATTERS. As of January 25, 2018, the last reported sales price of our common stock was $8.55.

Investing in our common stock involves risks. See RISK FACTORS beginning on page 14.

The United States Securities and Exchange Commission (the Commission) does not pass upon the merits of or give its approval to any securities offered or the terms of the offering, nor does it pass upon the accuracy or completeness of any offering circular or other solicitation materials. These securities are offered pursuant to an exemption from registration with the Commission; however, the Commission has not made an independent determination that the securities offered are exempt from registration.

Neither the Commission nor any states securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this offering circular. Any representation to the contrary is a criminal offense.

The shares of common stock offered hereby are not deposits and are not insured by the FDIC or any other governmental agency. The shares of common stock may not be used as collateral to secure a loan from Solera National Bank and loans from Solera National Bank may not be used to purchase this stock.

This offering circular does not constitute an offer or solicitation in any state or jurisdiction to any person to whom it is unlawful to make such an offer or solicitation or in any state where the offering has not been qualified. Investors resident in jursdictions where the offering has not been qualified are not eligible to participate in the offering.

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	Per Share		Total(2)	
Offering Price	$	7.25	$	9,901,006
Underwriting Discounts and Commissions(1)	$		$	
Proceeds to Us from this Offering to the Public (Before Expenses)	$	7.25	$	9,901,006

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(1)This offering is not underwritten. We are offering the shares of common stock directly to the public through our Chief Financial Officer, Melissa Larkin without the services of an underwriter or selling agent. Ms. Larkin will not receive any discounts or commissions for selling any shares, but may be reimbursed for reasonable expenses she incurs, if any. We believe that because this offering is a rights offering that is only being marketed to certain of its existing stockholders, the expenses to be reimbursed, if any, will be nominal. We do not intend to travel to meet with stockholders to discuss the offering. As of the date of this offering circular, we do not believe that the Company will have any expenses to be reimbursed to Ms. Larkin. However, if any out-of-pocket expenses are incurred by Ms. Larkin, the Company believes that they would be limited to reasonable travel expenses and other reasonable expenses associated with meeting with stockholders to discuss the offering. The Company has agreed to limit the aggregate amount of any out-of-pocket expenses to be reimbursed to Ms. Larkin to $2,000.00 for the offering.

(2)Represents the maximum proceeds from the sale of all 1,365,656 shares at $7.25 per share before deduction of estimated offering expenses of $50,000.

The date of this offering circular is February 1, 2018

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ABOUT THIS OFFERING CIRCULAR

You should rely only on the information contained in this offering circular. Solera National Bancorp, Inc. (the Company) have not authorized any person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering circular is accurate only as of the date hereof. The Company s business, financial condition, results of operations and prospects may have changed since that date.

The offering statement that contains this offering circular (including the exhibits to the offering statement) contains additional information about us and the securities offered under this offering circular. That offering statement can be read at the Commission s website or at the Commission s offices mentioned under the heading Where You Can Find More Information.

Unless otherwise indicated or unless the context requires otherwise, all references in this offering circular to we, us, our or similar references mean the Company and its wholly owned subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this offering circular may constitute forward-looking statements within the meaning of the meaning of the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended (the Securities Act). Forward-looking statements discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Forward-looking statements are generally identifiable by the use of forward-looking terminology such as anticipate, believe, continue, could, would, endeavor, estimate, expect, forecast, goal, objective, potential, plan, predict, project, seek, should, will or the negative of such terms and other similar words and expressions o intent. These forward-looking statements are subject to certain known and unknown risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Such risks and uncertainties and other factors include, but are not limited to, adverse developments or conditions related to or arising from:

- significant volatility and deterioration in the credit and financial markets; and adverse changes in general economic conditions;

- deterioration in our asset or credit quality, including changes in the level and trend of loan delinquencies and write-offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the residential and commercial real estate markets;

- inflation and changes in the interest rate environment (including changes in the shape of the yield curve) that reduce our margins or the fair value of financial instruments;

- fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas;

- the availability of capital;

- changes in laws or government regulations affecting financial institutions, including changes in regulatory costs and capital requirements, as well as changes in monetary and fiscal policies, including but not limited to the Tax Cuts and Jobs Act passed in December 2017;

- the use of estimates in determining the fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation;

- our ability to attract and retain deposits and loans in view of increased competitive pressures and other factors;

- further increases in premiums for deposit insurance;

- our ability to control general operating costs and expenses;

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- the soundness of other financial institutions;
- the potential for regulatory action against us or our wholly owned bank subsidiary, Solera National Bank (the Bank), which could require us to increase our allowance for loan losses, write down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings;
- environmental conditions, including natural disasters, or the impacts of war or terrorist attacks, any of which may disrupt our business, our operations or our borrowers;
- the failure or security breach of computer systems on which we depend;
- the effects of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other changes in laws, regulations, and accounting rules, or their interpretations;
- general economic or business conditions in Colorado, including but not limited to adverse changes in economic conditions resulting from a prolonged economic downturn;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, taxing authorities and the Financial Accounting Standards Board;
- other risks that are described in this offering circular under RISK FACTORS; and
- our ability to manage the risks involved in the foregoing.

The statements under RISK FACTORS and other sections of this offering circular address additional facts that could cause our actual results to differ from those set forth in the forward-looking statements. We caution investors not to place significant reliance on the forward-looking statements contained in this offering circular.

Because of these and other uncertainties, our actual future results, performance or achievements, or industry results, may be materially different from the results contemplated by these forward-looking statements. In addition, our past results of operations do not necessarily indicate our future results. Please take into account that forward-looking statements speak only as of the date of, and are based on our beliefs and assumptions as of the date of this offering circular. We do not undertake any obligation to publicly correct or update any forward-looking statement whether as a result of new information, future events or otherwise. We qualify all of our forward-looking statements by these cautionary statements.

QUESTIONS AND ANSWERS RELATING TO THE OFFERING

What is the rights portion of the offering?

We are distributing at no charge, to certain holders of our shares of common stock, non-transferable subscription rights to purchase shares of our common stock at a price of $7.25 per share, as described below. Certain holders of our shares of common stock will receive subscription rights to purchase one share for every two shares of common stock you owned as of 5:00 p.m., Mountain Time, on January 29, 2018, the record date. The subscription rights entitle the holder to exercise these subscription rights as well as an over-subscription privilege, both of which are described below.

What are the subscription rights?

The subscription rights give certain of our stockholders the right to purchase a specified number of shares of our common stock at a subscription price of $7.25 per share. We have granted to certain of our stockholders of record as of 5:00 p.m., Mountain Time, on January 29, 2018, subscription rights to purchase one share of our common stock for every two shares of our common stock you owned on that date. We will not issue fractional shares through the exercise of the subscription rights, and any fractional share interests resulting from the exercise of the subscription rights will be

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eliminated by rounding down to the nearest whole share. For example, if you owned 99 shares of our common stock on the record date, you may receive subscription rights to purchase 49 shares of common stock for $7.25 per share, and if you choose to exercise your subscription rights in full, you would receive a total of 49 shares. You may exercise all or a portion of your subscription rights or you may choose not to exercise any subscription rights at all. However, if you exercise less than your full subscription rights, you will not be entitled to purchase any additional shares by using your over-subscription privilege.

If you are a registered stockholder, i.e., hold your stock directly in certificate form, the number of shares you may purchase pursuant to your subscription rights is indicated on the enclosed stockholder subscription agreement. If you should lose your stockholder subscription agreement, we have a record of all subscription rights and can send you a duplicate if time permits. If you hold your shares in the name of a custodian bank, broker, dealer or other nominee, the rights will be issued to the nominee record holder. If you are not contacted by your custodian bank, broker, dealer or other nominee, you should contact your nominee as soon as possible.

What is the over-subscription privilege?

Stockholders who hold subscription rights are also being given an over-subscription privilege in the offering to purchase up to an additional one share for every two shares owned as of January 29, 2018. If you wish to purchase more shares than are covered by your subscription rights, you may subscribe for shares pursuant to this over-subscription privilege, at the same purchase price of $7.25 per share. You should indicate on your subscription agreement how many additional shares you would like to purchase pursuant to your over-subscription privilege. In totality between your subscriptions rights and your over-subscription rights, you may subscribe for up to the total number of shares that you currently own.

Unlike the subscription rights, however, the over-subscription privilege does not entitle you to purchase any specific number of shares. We reserve the right to allocate shares and to accept such subscriptions in our sole discretion, and to reject any such subscription, in whole or in part. We will notify you as soon as practicable after the close of the rights portion of the offering whether and to what extent your subscription has been accepted.

In order to properly exercise your over-subscription privilege, you must deliver the subscription payment related to your over-subscription privilege at the time you deliver payment to exercise your subscription rights. We will not know the actual number of unsubscribed shares prior to the expiration of the rights offering, so if you wish to maximize the number of shares you purchase pursuant to your over-subscription privilege, you will need to deliver full payment for the maximum number of shares you wish to purchase under your over-subscription privilege.

Am I required to exercise all of the subscription rights I receive in the rights offering?

No. You may exercise any portion of your subscription rights, or you may choose not to exercise any subscription rights. However, if you do not exercise your subscription rights in full, your ownership interest will be diluted as a result of the stock offering. See RISK FACTORS.

How soon must I act to exercise my subscription rights?

In order to exercise any or all of your subscription rights or your over-subscription privilege, you must make sure that we receive your completed and signed subscription agreement and payment prior to 5:00 p.m., Mountain Time, on May 31, 2018. **This deadline applies both to your subscription rights and to your over-subscription privilege.** If you hold your shares in the name of a custodian bank, broker, dealer or other nominee, your nominee may establish a deadline prior to 5:00 p.m., Mountain Time, on May 31, 2018, by which you must provide it with your instructions to exercise your subscription rights and payment for your shares. Our board of directors may, in its discretion, extend the rights offering without notice to subscribers, and may cancel or amend the rights offering at any time. In the event that the rights offering is cancelled, all subscription payments received will be returned promptly, without interest or penalty.

Although we will make reasonable attempts to provide this offering circular to holders of subscription rights, the rights offering and all subscription rights will expire at 5:00 p.m., Mountain Time, on May 31, 2018 (unless extended), whether or not we have been able to locate each person entitled to subscription rights.

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May I transfer my subscription rights?

No. The subscription rights are non-transferable.

Is there a minimum purchase requirement to participate in the rights offering?

No. There is no individual minimum purchase requirement.

Are there any limits on the number of shares I may purchase?

Yes. The maximum total number of shares you may subscribe for, between the subscription and the over-subscription rights is the equivalent of the number of shares you owned as of 5:00 pm, Mountain Time, on January 29, 2018. Additionally, we reserve the right to allocate the over-subscription shares and to accept over-subscriptions in our sole discretion, and to reject any over-subscription, in whole or in part.

How do I exercise my subscription rights if I am a registered stockholder?

If you hold your shares directly in certificate form and wish to participate in the rights offering, you must deliver a properly completed and signed subscription agreement, together with payment in full, to us before 5:00 p.m., Mountain Time, on May 31, 2018. In certain cases, you may be required to provide additional documentation or signature guarantees.

Please follow the delivery instructions in the subscription agreement. You are solely responsible for completing delivery to us of your subscription documents and payment. We urge you to allow sufficient time for delivery of your subscription materials to us so that they are received by us and all funds have cleared by 5:00 p.m., Mountain Time, on May 31, 2018.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, we will apply your payment to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the availability of shares under the over-subscription privilege and the elimination of fractional shares.

What form of payment is required to purchase the shares?

As described in the instructions accompanying the subscription agreement, payments submitted to us must be made in full United States currency by check, ACH or wire transfer:

- Make check payable to Solera National Bancorp, Inc. Stock Offering Account.

- Wire transfer funds to:

Solera National Bank
ABA# 107007281
319 S. Sheridan Blvd
Lakewood, CO 80226
For Credit To: Solera National Bancorp Account No. 2012368, Attention: [INSERT YOUR NAME HERE] Stock Purchase

- ACH funds to:

Bank Name: Solera National Bank

Routing No.: 107007281

Account Name: [INSERT YOUR NAME HERE] Stock Purchase

Account No.: 2012368

Please remember that in order for us to accept payments by the expiration date, the funds for such payments must have cleared by that date. If you plan to use a personal check, please bear this in mind and send in your subscription so that we receive it at least five business days prior to the expiration date to allow the funds to clear.

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What should I do if I want to participate in the rights offering, but my shares are held in the name of a custodian bank, broker, dealer or other nominee?

If you hold your shares of common stock through a custodian bank, broker, dealer or other nominee, then your nominee is the record holder of the shares you own. If you are not contacted by your nominee, you should contact your nominee as soon as possible. Your nominee must exercise the subscription rights on your behalf for the shares of common stock you wish to purchase. You will not receive a subscription agreement. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the May 31, 2018 expiration date that we have established for the rights offering.

After I send in my subscription agreement and my payment, may I cancel my subscription or my exercise of subscription rights?

No. Once you submit the subscription agreement and your payment, you will not be allowed to revoke your subscription or request a refund of monies paid. All subscriptions are irrevocable, even if you learn information about us that you consider to be unfavorable. Therefore, you should not submit a subscription agreement unless you are certain that you wish to purchase shares of our common stock.

What fees or charges apply if I purchase shares of the common stock in the rights offering?

We are not charging any fee or sales commission to issue subscription rights or shares to you, other than the subscription price. If you exercise your subscription rights or purchase shares through a custodian bank, broker, dealer or other nominee, you are responsible for paying any fees your nominee may charge you.

How does a best efforts offering work?

When shares are offered to the public on a best efforts basis, we are only required to use our best efforts to sell our common stock. No party has a firm commitment or obligation to purchase any of our common stock.

May I make an investment through my IRA or other tax-deferred retirement account?

Generally, yes. We currently accept investments through IRAs maintained with certain custodians.

What will you do with the proceeds from your offering?

We expect to use substantially all of the net proceeds from this offering (after paying or reimbursing offering expenses) for general corporate purposes, including broadening our business lines by adding new products, funding organic growth through the origination of loans and recruiting additional teams of loan officers. We do not currently have any plans to establish any new branches. Until used for any of the foregoing purposes, we may invest the net proceeds in short-term securities or hold the net proceeds in deposit accounts in the Bank.

How long will this offering last?

We currently expect that this offering will remain open for investors until we raise the maximum amount being offered, unless terminated by us at an earlier time.

Has our board of directors made a recommendation to our stockholders regarding the rights offering or the purchase of shares in this offering?

No. Our board of directors is making no recommendation regarding your exercise of subscription rights. Persons who exercise subscription rights risk investment loss on new money invested. We cannot predict the price at which our shares of common stock will trade; therefore, we cannot assure you that the market price for our common stock will be above the subscription price or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. We urge you to make your decision based on your own assessment of our business, the rights offering and any public offering of unsubscribed shares. Please see RISK FACTORS for a discussion of some of the risks involved in investing in our common stock.

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When will I receive my new shares?

If you are currently a registered stockholder, i.e., you hold your stock directly in certificate form, we will send via electronic mail information about how to login to your account to view your statement of ownership for your new book-entry shares. This information will be provided as soon as practicable after the close of the applicable portion of the offering. If you specifically request a stock certificate instead of book entry shares, we will accommodate your request. If you exercised subscription rights, your shares will be issued as soon as practicable after May 31, 2018, the rights expiration date, which date may be extended in our sole discretion. In addition, we reserve the right to have multiple closings of the offering should we determine this to be advisable in our sole discretion, in which case you will receive your shares shortly after the close of that portion of the offering during which you subscribed.

If your shares as of January 29, 2018 were held by a custodian bank, broker, dealer or other nominee, you will not receive stock certificates or statements of ownership from us for your new shares. Instead, your nominee will be credited with the shares of common stock you purchase, according to the same timeframe as described above with respect to stock certificates.

Who can help answer my other questions?

If you have other questions regarding the Company, the Bank or the stock offering, please contact Melissa K. Larkin, EVP and Chief Financial Officer, at (303) 937-6423.

WHERE YOU CAN FIND MORE INFORMATION

The Company does not have a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and it is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act. Accordingly, the Company does not file periodic documents and reports with the Commission. The historical financial statements of the Company are included elsewhere in this offering circular and the Offering Statement of which this offering circular is a part was filed electronically with the Commission. You may access the Commission s web site at http://www.sec.gov. A copy of this offering circular as well as related subscription materials are also available on our website. Go to https://www.solerabank.com, click on Investor Relations, then Shareholder Materials , then Documents .

The Bank files call reports with the FDIC, all of which are available electronically at the FDIC s web site at http://www.fdic.gov.

The Company s Proxy Statement for its 2017 Annual Meeting of Shareholders and 2016 Annual Report to Shareholders are available electronically at https://www.solerabank.com. Click on Investor Relations, then Shareholder Materials , then Documents . You may also request copies of these documents, as well as additional copies of this offering circular, at no cost by contacting us at the following address:

Solera National Bancorp, Inc.
319 South Sheridan Boulevard
Lakewood, CO 80226
Attention: Melissa K. Larkin
(303) 209-8600

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OFFERING SUMMARY

This offering summary highlights material information regarding our business and this offering that is not otherwise addressed in the Questions and Answers About this Offering section of this offering circular. Because it is a summary, it may not contain all of the information that is important to you. To understand this offering fully, you should read the entire offering circular carefully, including the Risk Factors section before making a decision to invest in our common shares.

Who We Are

Solera National Bancorp, Inc. is a bank holding company headquartered in Lakewood, Colorado. Solera National Bank has been our wholly owned subsidiary since our formation. Our principal offices are located at 319 South Sheridan Boulevard, Lakewood, Colorado 80226. Our telephone number is (303) 209-8600, and our website address is www.solerabank.com. As of September 30, 2017, we had total assets of approximately $167.6 million; total deposits of approximately $134.8 million; loans, net of unearned fees of $116.3 million; and stockholders equity of $24.1 million.

The Company was incorporated in 2006 to organize and serve as the holding company for the Bank which opened for business on September 10, 2007. The Bank is a traditional, community, commercial bank with a specialized focus serving the diverse Denver Metro market. The Bank currently operates one service location in Lakewood, Colorado.

We offer a broad range of commercial and consumer banking services to small and medium-sized businesses, licensed professionals and individuals who are particularly responsive to the personalized service that the Bank provides to its customers. We believe that local ownership and control allows the Bank to serve customers efficiently and effectively. The Bank competes on the basis of providing a personalized banking experience combined with a broad range of services, customized and tailored to fit the individual needs of its clients. The Company remains focused on executing its strategy since its inception of delivering prudent and controlled growth to efficiently leverage the Company s capital and expense base with the goal of achieving sustained profitability.

As a community-oriented bank, we offer a wide array of personal, consumer and commercial services generally offered by a locally-managed, independently-operated bank. We provide a broad range of deposit instruments and general banking services, including checking, savings accounts (including money market demand accounts), certificates of deposit for both business and personal accounts; internet banking services, such as cash management and Bill Pay; telebanking (banking by phone); courier services and mobile banking.

Since we operate in Colorado, our operating results are significantly influenced by economic conditions in Colorado, particularly the health of the real estate market. Additionally, we are subject to competition from other financial institutions and are impacted by fiscal and regulatory policies of the federal government as well as regulatory oversight by the Office of the Comptroller of the Currency, (the OCC).

The Company s ultimate objective is to create stockholder value through its recognition as the premier community bank in Colorado. We are committed to running a lean and efficient organization that can execute on business decisions quickly.

The Company s common stock is traded over-the-counter under the ticker symbol SLRK.

As of September 30, 2017, the Bank had 20 full-time equivalent employees.

Our Focus and Strategic Plan

The Bank is a community-oriented bank focused on serving the needs of the local community, including small businesses and business owners.

During 2016 and the first nine months of 2017, the Company has enjoyed significant increases in deposits and loans without having to raise our average cost of funds. Deposits increased by approximately $5.5 million during 2016 to $126.3 million at year end. As of September 30, 2017, deposit have increased another $8.5 million since December 31, 2016 to $134.8 million at September 30, 2017. Thus far in 2017, gross loans have grown $11.3 million from $105.2 at December 31, 2016 to $116.5 at September 30, 2017.

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While we have not expanded our geographic footprint since inception, we will continue to explore attractive opportunities, and to grow our loans and deposits through organic growth in our existing branch. Through technology improvements such as mobile banking, improved online banking services and remote deposit capture, we have been able to further expand our footprint without the added cost of additional physical locations. We believe it is prudent at this time to increase our capital in order to provide an additional capital cushion to support future growth, although we are currently well capitalized at both the bank and holding company levels.

Our business strategy over the next several years will be to continue to solidify market share with moderate growth in order to achieve improved efficiency through economies of scale.

Our Mission

Since inception, our mission has been to be a respected and stable provider of financial services to the diverse community in the Denver metropolitan area. Our primary objective as a community bank is to serve the financial needs of small businesses and individuals.

This Offering

Securities Offered	Up to 1,365,656 shares of common stock on a best efforts basis and non-transferable subscription rights to stockholders of record as of 5:00 p.m., Mountain Time, on January 29, 2018. All 1,365,656 shares being offered are subject to stockholder subscription rights to purchase shares for $7.25 per share. Holders of subscription rights will also be entitled to subscribe for shares pursuant to an over-subscription privilege, at the same purchase price but with acceptance of such over-subscriptions being in our sole discretion.
Offering Price Per Share	$7.25 per share.
Subscription Rights	The subscription rights will entitle certain holders of our common stock to purchase one share of our common stock for every two shares owned as of the record date, at a subscription price of $7.25 per share; however, fractional shares resulting from the exercise of the subscription rights will be eliminated by rounding down to the nearest whole share. You must own at least two shares as of the record date to be eligible to participate in the rights offering.
Over-subscription Privilege	We do not expect all of the subscription rights to be exercised. If you fully exercise your subscription rights, the over-subscription privilege entitles you to subscribe for additional shares of our common stock

	unclaimed by other holders of rights in this offering at the same subscription price of $7.25 per share. Subscriptions received pursuant to the over-subscription privilege will be accepted by us, in whole or in part, in our sole discretion.
Record Date for Subscription Rights	5:00 p.m., Mountain Time on January 29, 2018.
Minimum Investment	None
Common Stock Outstanding	As of January 29, 2018 we had 2,731,313 shares of common stock outstanding, excluding 25,776 shares of treasury stock. Assuming the sale of all shares offered in the offering, we would have approximately 4,096,969 shares outstanding upon completion of the offering.
OTC-Pink Symbol	SLRK
Plan of Distribution	We are offering the shares on a best efforts basis through our Chief Financial Officer, Melissa Larkin, who will not receive any discounts or commissions for selling such shares. The shares are being offered to certain existing stockholders on a subscription rights basis.

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Participation of Directors and Executive Officers	Our executive officers and directors may purchase shares in the offering in their discretion, but they have made no commitments to do so. Our board of directors is not making a recommendation regarding your exercise of the subscription rights or purchase of shares in the offering. You should make your decision to invest based on your assessment of our business and the offering. Please see Risk Factors beginning on page 14 for a discussion of some of the risks involved in investing in our common stock.
How to Subscribe	To subscribe for shares of our common stock, complete the subscription agreement accompanying this offering circular and deliver it to us on or before the applicable expiration date, together with full payment for all shares subscribed for by certified check, bank check, personal check, wire transfer, ACH, or money order payable to the order of Solera National Bancorp, Inc. Stock Offering Account. Once you subscribe, your subscription is irrevocable.
Use of Proceeds	We intend to use the net proceeds from this offering to increase our capital and for general corporate purposes, including funding for loans and to support future growth, and enabling our subsidiary, the Bank, to continue to meet the applicable capital requirements.
Expiration Date	Subscription rights and over-subscription privileges granted to existing stockholders will expire, if not exercised, by 5:00 p.m., Mountain Time, on May 31, 2018, unless this offering is terminated earlier or either date is extended without notice to subscribers.
Dividends	We have not historically paid any cash dividends to our stockholders. Our only source of income for cash dividends is dividends paid to us by the Bank. We intend to continue our current policy of retaining earnings to increase our net worth and reserves and accordingly do not anticipate paying any cash dividends for the foreseeable future. See Market Information and Dividend Policy and Related Matters Dividends.
Best Efforts Offering	There is no minimum number of shares that must be sold in order to close this offering and accept your subscription.
Risk Factors	An investment in our common stock involves certain risks. You should carefully consider the risks described under Risk Factors beginning on page 14 of this offering circular, as well as other information included in this offering circular, including our financial statements and notes thereto, before making an investment decision.

SUMMARY FINANCIAL DATA

The following table sets forth selected historical financial data of Solera National Bancorp, Inc. The selected historical financial data as of and for the years ended December 31, 2016 and 2015 are derived from Solera National Bancorp, Inc. s audited financial statements. The selected historical financial data as of September 30, 2017 and 2016 and for the nine-month periods then ended are derived from Solera National Bancorp, Inc. s unaudited interim financial statements, but Solera National Bancorp, Inc. s management believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations as of the dates and for the periods indicated. You should not assume that the results of operations for past periods and for any interim period indicate results for any future period.

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	As of and for the Nine Months Ended September 30, 2017	2016	As of and for the Years Ended December 31, 2016	2015
	(Dollars in thousands)			
Statements of Operations Data:				
Interest income	$ 4,549	$ 4,035	$ 5,477	$ 5,342
Interest expense	1,057	965	1,300	1,135
Net interest income	3,492	3,070	4,177	4,207
Provision for loan losses				(50)
Net interest income after provision for loan losses	3,492	3,070	4,177	4,257
Noninterest income	168	464	522	745
Noninterest expense	2,460	2,492	3,781	3,224
Income before income taxes	1,200	1,042	918	1,778
Income tax (expense) benefit	(412)		2,209	
Net income	$ 788	$ 1,042	$ 3,127	$ 1,778
Per Share Data:				
Earnings per share	$ 0.29	$ 0.38	$ 1.15	$ 0.65
Tangible book value per share	$ 8.79	$ 7.80	$ 8.39	$ 7.18
Weighted average common shares outstanding, basic	2,724,080	2,723,063	2,723,062	2,722,473
Shares outstanding at end of period(1)	2,751,589	2,752,839	2,753,588	2,773,839
Balance Sheet Data (at period end):				
Total assets	$ 167,634	$ 149,277	$ 156,091	$ 146,073
Investment securities	38,297	40,824	40,633	52,874
Gross loans, net of unearned fees	116,257	100,066	104,983	82,109
Allowance for loan losses	1,586	1,584	1,599	1,518
Deposits	134,775	122,126	126,325	120,839
Stockholders equity	24,138	21,492	23,072	19,837
Average Balance Sheet Data:				
Total assets	$ 160,060	$ 144,281	$ 146,107	$ 140,738
Investment securities	40,250	46,468	45,335	48,633
Gross loans, net of unearned fees	108,732	88,742	91,891	83,231
Total deposits	132,275	119,032	120,623	115,288
Stockholders equity	22,356	19,327	19,468	17,684
Performance Ratios:				
Return on average assets	0.64%	0.96%	2.12%	1.25%
Return on average equity	4.42%	6.55%	14.42%	9.12%
Net yield on average earning assets	4.01%	3.91%	3.92%	3.98%
Efficiency ratio**(2)**	67.21%	73.79%	83.25%	66.94%
Average equity to average assets	13.97%	13.40%	13.32%	12.57%
Gross loans, net of unearned fees, to deposits	86.26%	81.94%	83.10%	67.94%
Asset Quality Ratios:				
Nonperforming assets to total loans and foreclosed assets	%	%	%	%
Net charge-offs to average gross loans, net of unearned fees	0.01%	(0.07)%	(0.08)%	0.04%
Allowance for loan losses to gross loans	1.36%	1.58%	1.52%	1.85%
Allowance for loan losses to nonaccrual loans	N/A	N/A	N/A	1,159%

Capital Ratios:				
Tier 1 leverage ratio	13.9%	13.2%	14.0%	13.2%
Tier 1 risk-based capital ratio	18.0%	19.1%	18.7%	18.8%
Total risk-based capital ratio	19.3%	20.4%	20.0%	20.0%

(1) Includes 25,776 shares of treasury stock

(2) Efficiency measures the ratio of noninterest expense to the sum of net interest income and noninterest income, excluding gain (loss) on sale of securities.

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RISK FACTORS

The following discussion details risks related to this offering and our common stock. It is not intended to be an exhaustive list.

We are selling our securities on a best efforts basis and there is no minimum aggregate offering amount.

The shares are being offered on a best efforts basis. There is no requirement that we sell any particular number of shares. If we sell less than the full amount offered, the lesser amount sold would not necessarily help us fully accomplish our goals. See Terms of the Offering and Use of Proceeds.

As the offering is not underwritten, no underwriter has conducted an independent review to verify the statements we make in this offering circular.

Our offering is not underwritten. Thus, there has not been an independent due diligence review of matters covered by this offering circular, such as might be conducted by an underwriter had one been affiliated with this offering.

The offering price of our common stock has been determined independently by us and should not be considered as an indication of our present or future value.

The offering price of our common stock has been determined by our board of directors based on our general evaluation of our business and prospects and the current trading market for our common stock. However, we have not conducted a detailed marketing or feasibility study covering the pricing and terms of this offering, nor have we sought an independent third party valuation of our common stock. You should not consider the subscription price for the shares as an indication of our present or future value.

An investment in the shares of common stock is speculative.

The shares of common stock offered constitute a speculative investment, involve a high degree of risk and may not be purchased by anyone who does not satisfy the suitability standards set forth herein. Consequently, the purchase of the shares offered hereby should be considered only by investors who do not need liquidity with respect to their investment and can afford a total loss of their investment.

You may not be able to sell your shares at the times and in the amounts you want, as the trading market for our common stock is not active.

Shares of our common stock are not listed on any exchange or quoted by the Nasdaq Stock Market, although they are quoted on the OTC-Pink under the ticker symbol SLRK. The OTC-Pink is an electronic, screen-based market maintained and operated by the OTC Markets Group, which imposes considerably less stringent listing standards than does the Nasdaq. The volume of trading in our common stock is limited and does not constitute an active trading market, and it is not anticipated that a more active trading market will develop as a result of this stock offering. We do not expect to qualify for or seek a listing on any securities exchange in the foreseeable future. There can be no assurance that you will be able to sell your shares of common stock at any time in the future or at all, or that an active trading market will develop in the foreseeable future, if ever. See Market Information and Dividend Policy and Related Matters Trading History.

The price of our common stock may fluctuate significantly, and this may make it difficult for you to sell shares of common stock at times or at prices you find attractive.

The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could adversely affect the market price of our common stock.

Among the factors that could affect our common stock price in the future are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;

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- actions by stockholders;
- fluctuations in the stock price, trading volumes, and operating results of our competitors;
- general market conditions and, in particular, market conditions for the financial services industry;
- proposed or adopted regulatory changes or developments;
- regulatory action against us;
- anticipated or pending investigations, proceedings, or litigation that involve or affect us; and
- economic factors unrelated to our performance.

The stock market and, in particular, the market for financial institution stocks, has experienced significant volatility over the past several years. As a result, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. The trading price of shares of our common stock also depends on many other factors which may change from time to time including, without limitation, our financial condition, performance, creditworthiness and prospects, future sales of our equity or equity related securities and other factors identified elsewhere in this offering circular. The capital and credit markets have been experiencing volatility and disruption for several years, at times reaching unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers underlying financial strength.

The Company has not paid cash dividends in the past and has no specific plans to pay cash dividends in the foreseeable future.

The Company has not paid cash dividends in the past and has no specific plans to declare cash dividends in the foreseeable future. Any decision to pay cash dividends will be made by the board of directors in its discretion based on a number of factors. See Market Information and Dividend Policy and Related Matters Dividends.

There is limited public information concerning us and our business, operations and financial condition.

There is limited publicly available information about us. Our common stock is not registered, and we do not file quarterly, annual or other reports with the Commission under the Exchange Act. We provide investors with periodic financial and other information, but do not make periodic disclosures of the type that would be available if we were subject to the reporting requirements of the Exchange Act.

We are substantially reliant on the payment of dividends from our subsidiary, the Bank.

Our ability to meet debt service requirements and to pay dividends depends on the ability of our banking subsidiary to pay dividends to us, as we have no other significant source of income. However, the Bank is subject to regulations limiting the amount of dividends it may pay. For example, the payment of dividends by the Bank is affected by the requirement to maintain adequate capital pursuant to the capital adequacy guidelines issued by the OCC. If (i) any capital ratio requirements are increased; (ii) the total risk-weighted assets of the Bank increase significantly; and/or (iii) the Bank s income declines significantly, the Bank s board of directors may decide or be required to retain a greater portion of the Bank s earnings to achieve and maintain the required capital or asset ratios. This would reduce the amount of funds available for the payment of dividends by the Bank to us. Further, the OCC could prohibit the Bank from paying dividends if, in its view, such payments would constitute unsafe or unsound banking practices. The Bank s ability to pay dividends to us is also limited by the national banking laws. While we have not historically and have no plans to pay cash dividends to our stockholders in the foreseeable future, whether any such dividends are paid, and the frequency and amount of such dividends will also depend on the financial condition and performance of the Bank and the decision of the Bank s board of directors. Information concerning our dividend policy and historical dividend practices is set forth below under Market Information and Dividend Policy and Related Matters Dividends.

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We may pursue additional capital in the future, which may not be available on acceptable terms or at all, could dilute the holders of our outstanding common stock, and may adversely affect the market price of our common stock.

In the current economic environment, we believe it is prudent to consider alternatives for raising capital when opportunities to raise capital at relatively attractive prices present themselves, in order to further strengthen our capital and better position ourselves to take advantage of opportunities that may arise in the future. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at the time, which are outside of our control, and our financial performance. We cannot provide any assurance that such capital will be available to us on acceptable terms or at all. Any such capital raising alternatives could dilute the holders of our outstanding common stock, and may adversely affect the market price of our common stock and our performance measures such as earnings per share.

We have an accumulated deficit and future growth or operating results may require us to raise additional capital, but that capital may not be available or it may be dilutive.

As of December 31, 2016, the Company had an accumulated deficit of approximately $3,543,000. The Bank may in the future be subject to increased capital requirements. If the Bank needs additional capital to maintain those standards or if the Bank elects to expand through loan growth or acquisitions, the Company may be required to raise additional capital. The ability to raise capital will depend on conditions in the capital markets, which are outside our control, and on their financial performance. Accordingly, the Company cannot be assured of its ability to raise capital when needed, on favorable terms or at all. These outcomes could negatively impact the Bank s ability to operate or further expand its operations and may result in increases in operating expenses and reductions in revenues that could have a material adverse effect on its financial condition and results of operations. In addition, in order to raise additional capital, the Company may need to issue additional shares of common stock that may significantly dilute the book value of existing common stock, including the shares of common stock purchased in this offering, and materially reduce the Company s stockholders percentage ownership interest to the extent they do not participate in future offerings.

Your investment may be diluted because of the ability of management to offer stock to others.

The shares of our common stock do not have preemptive rights. This means that you may not be entitled to buy additional shares if shares are offered to others in the future. We are authorized to issue 10,000,000 shares of common stock, and as of January 29, 2018 we had 2,731,313 shares of our common stock outstanding, excluding treasury stock. Nothing restricts our ability to offer additional shares of stock for fair value to others in the future. Any issuances of common stock would dilute our stockholders ownership interests and may dilute the per share book value of our common stock.

Because we have discretion in the use of the proceeds, we may not apply these funds effectively which could have an adverse effect on our business.

We cannot specify with certainty the amounts we will spend on particular uses from the net proceeds we will receive from the offering. Our board of directors will have broad discretion in the application of the net proceeds. Our board of directors currently intends to use the net proceeds as described in Use of Proceeds. The failure by our board of directors to apply these funds effectively could have an adverse effect on our financial position, liquidity and results of operations by reducing or eliminating our net income from operations.

The offering may not be fully subscribed.

The offering is only being made to certain existing stockholders. However, there can be no assurance that all or any portion of the shares offered will be sold. To the extent that less than all of the shares offered are sold, we will have fewer funds for the uses described in Use of Proceeds.

Because we may terminate or cancel the offering at any time, your participation in the offering is not assured.

We may terminate or cancel the offering at any time before May 31, 2018 (or any extension thereof), for any reason. If the offering is terminated or cancelled for any reason, then we will not issue you any of the shares of common stock you may have subscribed for and we will not have any obligation with respect to the rights except to return any subscription price payments, as soon as practicable, without interest.

If you do not act promptly and follow the subscription instructions, then your exercise of rights may be rejected.

Stockholders who desire to purchase shares of common stock must act promptly to ensure that all required forms and payments are actually received before May 31, 2018 (or any extension thereof). If your shares are held through a broker, dealer, custodian bank or other nominee, as the record holder, then you must act promptly to ensure that your broker, dealer, bank or other nominee acts for you and that all required forms and payments are actually received by us before May 31, 2018. We will not be responsible if your broker, dealer, bank, financial institution or other nominee fails to ensure that all required forms and payments are actually received by us before May 31, 2018. If you fail to complete and sign the subscription agreement or the forms specified by your broker, dealer, custodian bank or other nominee, deliver an incorrect payment amount, pay by an unauthorized payment form, or otherwise fail to follow the subscription procedures that apply to your exercise of rights, then we may, depending on the circumstances, reject your subscription or accept it only to the extent of the payment

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received. We will not undertake to contact you concerning an incomplete or incorrect subscription form or payment, nor are we under any obligation to correct such forms or payment. We have the sole discretion to determine whether a holder of rights exercise follows the proper procedures. You bear the risk of delivery of all documents and payments, and we do not have any responsibility for such documents and payments.

You will not receive interest on subscription funds, including any funds ultimately returned to you.

You will not earn any interest on your payment of the subscription price while it is being held by us pending the closing of the offering. In addition, if we cancel the offering, we will have no obligation with respect to the rights except to return to you, without interest, any payment of the subscription price.

Our directors and executive officers control a large amount of our stock, and your interests may not always be the same as those of the board and management.

As of January 25, 2018, our directors and executive officers together with their affiliates beneficially owned approximately 34% of the Company s outstanding voting stock. As a result, if all of these stockholders were to take a common position, they could be able to affect the election of directors as well as the outcome of corporate actions requiring stockholder approval, such as the approval of mergers or other business combinations. Such concentration may also have the effect of delaying or preventing a change in control of our company. In some situations, the interests of our directors and executive officers may be different from the stockholders. However, our directors and executive officers have a fiduciary duty to act in the best interest of the stockholders, rather than in their own best interests, when considering a proposed business combination or any of these types of matters.

Our use of Form 1-A and our reliance on Regulation A for this offering may make it more difficult to raise capital as and when we need it, as compared to if we were conducting a traditional initial public offering on Form S-1.

Because of the exemptions from various reporting requirements provided to us under Regulation A and because we are only permitted to raise up to $20 million in any 12 month period under a Tier 1 - Regulation A offering (although we may raise capital in other ways), we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

Risks Related to Our Business

As a non-listed company conducting an exempt offering pursuant to Regulation A, we are not subject to a number of corporate governance requirements, including certain requirements relating to the board of directors or independent board committees.

As a non-listed company conducting an exempt offering pursuant to Regulation A, we are not subject to a number of corporate governance requirements that an issuer conducting an offering on Form S-1 or listing on a national stock exchange would be. Accordingly, we are not required to have: (i) a board of directors of which a majority consists of independent directors under the listing standards of a national stock exchange; (ii) an audit committee composed entirely of independent directors and a written audit committee charter meeting a national stock exchange s requirements; (iii) a nominating/corporate governance committee composed entirely of independent directors and a written nominating/corporate governance committee charter meeting a national stock exchange s requirements; (iv) a compensation committee composed entirely of independent directors and a written compensation committee charter meeting the requirements of a national stock exchange; or (v) independent audits of our internal controls. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of a national stock exchange.

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We rely heavily on our management and directors, and the unexpected loss of key individuals may adversely affect our operations.

We are, and for the foreseeable future will be, dependent on the services of key management personnel, particularly Martin P. May, the Company s President and Chief Executive Officer and Melissa K. Larkin, the Company s Chief Financial Officer. The loss of any of them, or any other key employee, could have a material adverse effect on the condition, financial or otherwise, and results of our operations. No assurance can be given that we would be able to find replacement personnel of comparable ability were this to occur. Currently, none of our executive officers is subject to an employment agreement with the Company or the Bank.

Additionally, our directors community involvement, diverse backgrounds and extensive local business relationships are important to our success. If the composition of our board of directors changes materially, our banking business could suffer.

Our growth strategy involves operation and acquisition risks which may negatively impact our profits.

We face risks in our growth strategy, including the risks that we will be unable to expand our business by internal growth or through the acquisition of other financial institutions, bank branches or other assets. Our ability to grow profitably through internal growth involves the risks that the growth depends primarily on our identifying attractive markets, attracting and retaining qualified management and acquiring or establishing branch locations in those markets at reasonable costs. In addition, we must attract the necessary deposits and locate quality loans in those markets, and must attract and have sufficient qualified personnel to operate the new locations.

Acquiring other financial institutions, bank branches or other assets involves these same risks, as well as additional risks, including:

- adverse change in the results of operations of the acquired entities or assets;
- unforeseen liabilities or asset quality problems of the acquired entities or assets;
- greater than anticipated costs of integrating acquisitions;
- retention of employees;
- adverse personnel relations; and

- loss of customers.

The risks discussed above, including not securing all necessary legal and regulatory approvals, may inhibit or restrict our strategy to grow through acquisition and branch expansion, negatively impact our revenue growth and ultimately reduce or eliminate profits.

Our pace of growth may require us to attempt to raise additional capital in the future, but sufficient capital may not be available when it is needed, if at all, or on terms acceptable to us.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. Our regulators require that the Bank maintain a minimum Tier 1 leverage ratio and a minimum total risk-based capital ratio. There can be no assurance that we will be successful in maintaining such capital levels or that our regulators will not in the future increase capital requirements and thereby require us to raise additional capital.

We anticipate that our existing capital resources, including the net proceeds from this offering, will satisfy our immediately foreseeable capital requirements. However, to the extent we expand our asset base further, whether through organic growth or by acquisition, we will be required to support this growth by increasing our capital to acceptable regulatory levels. Accordingly, we may need to raise additional capital in the future to support continued asset growth. In addition, if we suffer operating losses, we may also need to raise capital to meet regulatory requirements.

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Our ability to raise additional capital if we need it to meet regulatory requirements or to support loan growth in the future will depend on, among other things, conditions in the capital markets, which are outside of our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital when needed or on terms acceptable to us. If we cannot raise additional capital when needed, we will be subject to increased regulatory supervision and the imposition of restrictions on our growth and our business. These restrictions could negatively impact our ability to further expand our operations through acquisitions or the establishment or acquisition of additional branches and will likely result in increases in operating expenses and reductions in revenues that would negatively affect our operating results.

The short-term and long-term impact of the changing regulatory capital requirements and new capital rules is unknown.

In 2013, the FDIC, the OCC and the Federal Reserve Board approved a new rule that substantially amends the regulatory risk-based capital rules applicable to us. The final rule implements the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

The final rule includes minimum risk-based capital and leverage ratios which became effective for us on January 1, 2015, and refines the definition of what constitutes capital for purposes of calculating these ratios. The minimum capital requirements to be considered adequately capitalized are: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6.0%, which was increased from 4.0%; (iii) a total capital ratio of 8.0%, which was unchanged from the previous rules; and (iv) a Tier 1 leverage ratio of 4.0%. The final rule also established a capital conservation buffer of 2.5% above the regulatory minimum capital ratios, and when fully effective in 2019, will result in the following minimum capital ratios: (a) a common equity Tier 1 capital ratio of 7.0%; (b) a Tier 1 to risk-based assets capital ratio of 8.5%; and (c) a total capital ratio of 10.5%. The capital conservation buffer requirement began phasing in January 2016 at 0.625% of risk-weighted assets and will increase each year until fully implemented in January 2019. If an institution does not meet or exceed these minimum capital ratios it will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its buffer level falls below the required buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such activities.

The application of more stringent capital requirements for us could, among other things, result in lower returns on equity, require the raising of additional capital, and result in regulatory actions such as a prohibition on the payment of dividends, the payment of bonuses to employees or the repurchase of shares if we were unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of Basel III could result in our having to restructure our business models or increase our holdings of liquid assets. Implementation of changes in asset risk weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital or additional capital conservation buffers could result in management modifying our business strategy.

The Company is currently subject to the Federal Reserve s Small Bank Holding Company Policy Statement (the **Policy Statement**). The Policy Statement provides that the Basel III capital rules and reporting requirements will not apply to a bank holding company with under $1 billion in assets that: (a) is not engaged in significant non-bank activities; (b) has no significant off-balance sheet activities conducted through a non-bank subsidiary; and (c) subject to certain limited exceptions, has no material amount of registered debt or equity securities outstanding. As of September 30, 2017, the Company had $167.6 million in consolidated assets and satisfied the other criteria described above, and so the holding company is not subject to the Basel III capital rules and reporting requirements, however; the Bank is subject to Basel III capital rules.

There can be no assurance, however, that the Company s assets will not increase above $1.0 billion or that the Company will fail to satisfy one of the other conditions required for non-applicability of Basel III. The application of more stringent capital requirements for the Company could, among other things, result in lower returns on equity, require the raising of additional capital, or result in regulatory actions such as a prohibition on the payment of dividends, the payment of bonuses to employees or the repurchase of shares if the Company were unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of Basel III could result in the Company having to restructure the Company s business models, or increase the Company s holdings of liquid assets. Implementation of changes in asset risk the weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital or additional capital conservation buffers could result in management modifying the Company s business strategy.

We may not be successful in implementing our internal growth strategy due to numerous factors that affect earnings.

We intend to pursue an organic growth strategy, the success of which is dependent on our ability to generate an increasing level of loans and deposits at acceptable risk levels without incurring corresponding increases in noninterest expense. We may not be successful in our organic growth strategy due to, among other factors, delays in introducing and implementing new products and services and other impediments resulting from regulatory oversight, lack of qualified personnel, and scarcity of branch sites or deficient site selection of bank branches. Further, the success of our internal growth strategy will depend on maintaining sufficient regulatory capital levels and on favorable economic conditions in our primary market area.

We face intense competition in all phases of our business from other banks and financial institutions.

We compete for deposits with a large number of depository institutions including commercial banks, savings and loan associations, credit unions, money market funds and other financial institutions and financial intermediaries serving our market area. Principal competitive factors with respect to deposits include interest rates paid on deposits, customer service, convenience and location. We compete for loans with other banks headquartered in our market area, with loan production offices of large money center banks headquartered in other states, as well as with savings and loan associations, credit unions, finance companies, mortgage bankers, leasing companies and other institutions. Competitive factors with respect to loans include interest rates charged, customer service and responsiveness in tailoring financial products to the needs of customers. Many of the entities that we compete with are substantially larger in size, and have greater financial and human resources than we do. In addition, many non-bank financial intermediaries are not subject to the regulatory restrictions applicable to the Bank.

Hedging against interest rate exposure may adversely affect our earnings, limit our gains or result in losses, which could adversely affect cash available for distribution to our stockholders.

We may enter into interest rate swap agreements or pursue other interest rate hedging strategies. Our hedging activity, if any, will continue to vary in scope based on the level of interest rates, the type of investments held, and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;

- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;

- the duration of the hedge may not match the duration of the related liability or asset;

- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;

- the party owing money in the hedging transaction may default on its obligation to pay; and

- we may purchase a hedge that turns out not to be necessary, i.e., a hedge that is out of the money.

Any hedging activity we engage in may adversely affect our earnings. Therefore, while we may enter into such transactions to seek to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall earnings than if we had not engaged in any such hedging transactions.

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We are subject to significant governmental regulation.

We are subject to extensive regulation and supervision, in particular by the Federal Reserve and the OCC. Any change in applicable regulations or federal or state legislation could have a substantial impact on us and our operations as well as those of any banks we may acquire in the future. Such changes in applicable laws or in their application by regulatory agencies cannot necessarily be predicted, although recently enacted, proposed and future legislation and regulations have had, and likely will continue to have, a significant impact on the banking industry. Some of the legislative and regulatory changes may benefit us while others may increase our costs of doing business, assist our competitors, or otherwise have an adverse effect on our financial condition, results of operations and cash flows. Further, regulators have significant discretion and power to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of this regulatory discretion and power may have a negative impact on our financial position, results of operations and cash flows.

Our operations are also subject to a wide variety of state and federal consumer protection and similar statutes and regulations, including privacy regulations covering consumer financial information. Such federal and state regulatory restrictions limit the manner in which we may conduct business. Those laws and regulations can and do change significantly from time to time and any such change could adversely affect our business. See Supervision and Regulation.

Regulatory guidance and regulations on incentive compensation could adversely affect us.

In 2010, the federal bank regulators jointly issued final guidance on sound incentive compensation policies (**SICP**) intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging imprudent risk-taking. The SICP guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization s incentive compensation arrangements should: (i) provide incentives that do not encourage employees to expose the organization to imprudent risk; (ii)be compatible with effective internal controls and risk management; and (iii) be supported by strong corporate governance, including active and effective oversight by the organization s board of directors. Any identified deficiencies in compensation practices may be incorporated into an organization s supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The SICP guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management, control or governance processes pose a risk to the organization s safety and soundness, particularly when the organization is not taking prompt and effective measures to correct the deficiencies. In February 2011, the federal financial regulators issued joint proposed regulations to implement the Dodd-Frank Act requirement that the federal financial regulators prohibit, at any financial institution with consolidated assets of at least $1 billion, incentive pay that they determine encourages inappropriate risks.

In May 2016 the federal regulatory agencies issued for public comment revised proposed rules as part of a joint rule-making effort designed to prohibit certain incentive-based compensation arrangements deemed to encourage inappropriate risk taking by covered financial institutions by providing excessive compensation, fees or benefits or that could lead to material losses. Depending upon the outcome of the rule making process, the application of this rule to us could require us to revise our compensation strategy, increase our administrative costs and adversely affect our ability to recruit and retain qualified employees.

The scope and content of the U.S. banking regulators policies on executive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect our ability to hire, retain and motivate our key employees.

Our access to liquidity may be negatively impacted due to circumstances beyond our control, and we may not be able to meet the cash flow requirements of our depositors and borrowers.

While we aim to actively manage our liquidity risk and maintain liquidity at least sufficient to cover forecasted funding requirements, our liquidity may be adversely affected by unforeseen or extraordinary demands on cash and

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our inability to access sources of deposits for the Bank. This situation may arise due to circumstances beyond our control.

Liquidity is the ability to meet current and future cash flow needs on a timely basis at a reasonable cost and is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our liquidity is used to make loans and to repay deposit liabilities as they become due or are demanded by customers. We regularly monitor our overall liquidity position to ensure that various alternative strategies exist to cover unanticipated events that could affect liquidity. Potential alternative sources of liquidity include the sale of loans, the acquisition of national market, non-core deposits, the issuance of additional collateralized borrowings such as Federal Home Loan Bank (**FHLB**) advances, access to the Federal Reserve Bank discount window and the issuance of additional equity securities. We also maintain a portfolio of securities that can be used as a secondary source of liquidity. If such sources are unavailable or are not available on reasonable terms, our financial condition, growth and future prospects could be adversely affected.

In addition, if the Bank is at a future date not considered well capitalized under applicable prompt corrective action statutes and regulations, it would be unable to roll over or renew brokered deposits or accept any new brokered deposits and would not be able to solicit deposits by offering interests rates higher than those permissible for brokered deposits without regulatory approval, thereby further limiting its access to liquidity.

Although we believe that the Bank currently has sufficient liquidity and access to sources of additional liquidity, there can be no assurance that such level of, and access to sources of, liquidity will be available to the Bank in the future.

Concern of customers over deposit insurance may cause a decrease in deposits.

Customers have become in recent years more concerned and aware about the extent to which their deposits are insured by the FDIC. As a result, customers may either withdraw deposits or elect not to increase their deposits in an effort to ensure that the amount they have on deposit with any one bank is fully insured. Decreases in deposits may adversely affect our funding costs and net income.

Our deposit insurance premiums could increase in the future, which could have a material adverse effect on our future earnings.

The FDIC insures deposits at certain financial institutions, including the Bank, and charges insured financial institutions a premium to maintain the Deposit Insurance Fund (the **DIF**) at a certain level. Economic conditions in recent years have increased bank failures, in which case the FDIC ensures payments of deposits up to insured limits from the DIF.

In 2011, the FDIC implemented new rules required by the Dodd-Frank Act with respect to the FDIC assessments. In particular, the definition of an institution s deposit insurance assessment base was changed from total deposits to total assets less tangible equity. In addition, the FDIC revised the deposit insurance assessment rates down. The new initial base assessment rates range from 5 to 9 basis points for Risk Category I banks to 35 basis points for Risk Category IV banks. Risk Category II and III banks have an initial base assessment rate of 14 and 23 basis points, respectively. There can be no assurance that the FDIC will not increase assessment rates in the future or that the Bank will not be subject to higher assessment rates as a result of a change in its risk category, either of which could have an adverse effect on our earnings.

In addition, the FDIC may terminate an institution s deposit insurance if it determines that the institution involved has engaged in or is engaging in unsafe or unsound banking practices, is in an unsafe or unsound condition, or has violated applicable laws, regulations or orders.

Negative developments in the financial services industry and in the U.S. and global credit markets in recent years may continue to adversely impact our operations, financial condition and earnings.

Negative developments in the financial services industry from 2008 through 2011 resulted in uncertainty in the financial markets in general and an economic recession. As a consequence of the recession, businesses across a wide range of industries faced numerous challenges, including decreases in consumer spending, consumer confidence and

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credit market liquidity. While conditions have gradually improved, many of these circumstances continue to represent challenges and continue to create a degree of economic uncertainty. In addition, declining oil prices, the implementation, repeal or replacement of the employer mandate under the Patient Protection and Affordable Care Act and the level of U.S. debt may have a destabilizing effect on financial markets.

As a result of these financial and economic crises, many lending institutions, including us, experienced declines in the performance of their loans. In addition, the values of real estate collateral supporting many commercial loans and home mortgages declined and may decline again in the future. The ability of banks to raise capital or borrow in the debt markets became more difficult compared to previous periods. As a result, bank regulatory agencies have been and are expected to continue to be very aggressive in responding to concerns and trends identified in examinations. The impact of legislation enacted in response to these developments may negatively impact our operations by restricting our business operations, including the Bank s ability to originate or sell loans, and adversely impact our financial performance.

Negative economic developments, including another recession, may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact the Bank s charge-offs and provision for credit losses. Although economic conditions in Colorado and in the U.S. in general have improved, there can be no assurances that the economic environment will continue to improve in the near- or long-term. Declines in real estate values, home sales volumes and financial stress on borrowers as a result of the uncertain economic environment could have an adverse effect on the Bank s borrowers or their customers, which could adversely our business, financial condition, results of operations and cash flows.

If economic conditions deteriorate, our revenues could decrease.

Declines in the local economies of the market area we serve could impair our ability to collect loans and would have a negative effect on our financial condition and our results of operations. Our financial results may be adversely affected by changes in prevailing economic conditions, including declines in real estate values, changes in interest rates and corresponding decreases in interest rate spreads, adverse employment conditions and the monetary and fiscal policies of the federal government. For example, declines in real estate values could adversely affect the value of property used as collateral.

In addition, substantially all of our loans are to individuals and businesses in the Denver metropolitan area. Any decline in these local economies or in the statewide economy could have an adverse impact on our financial performance. There can be no assurance that positive trends or developments will evolve or that negative trends or developments will not have significant downward effects on our revenues.

The small and medium-sized businesses that make up a portion of our target market may have insufficient financial resources to weather a sustained downturn in the economy.

We target the banking and financial services needs of small and medium-sized businesses. These businesses generally have fewer financial resources in terms of capital borrowing capacity than larger entities, have smaller market share than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower s ability to repay a loan. In addition, the success of a small or medium-sized business often depends on the managerial talents and efforts of one person or a small group of persons, and the death, disability or resignation of one or more of these persons would likely have an adverse impact on the business and its ability to repay its loan. If general economic conditions negatively impact these businesses in the markets in which we operate, our business, financial condition, and results of operation could be adversely affected.

Our business is subject to credit risks which may adversely affect our earnings.

There are inherent risks associated with our lending activities. These risks include, among other things, the impact of changes in interest rates. Increases in interest rates could adversely impact borrowers ability to repay outstanding loans or the value of the collateral securing these loans.

We seek to mitigate the risks inherent in our loan portfolio by adhering to conservative underwriting practices, including analyzing the credit risk, valuing the underlying collateral, monitoring loan concentration within specific

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industries and geographic locations and obtaining periodic reviews of outstanding loans by our loan review and audit departments. Although we believe that our underwriting criteria are appropriate for the various kinds of loans we make, we may nevertheless incur losses on loans that meet our underwriting criteria and these losses may exceed the amounts set aside as reserves in our allowance for loan losses.

Should the economic climate deteriorate, borrowers may experience difficulty repaying loans, and the level of non-performing loans, charge-offs, and delinquencies could rise and require further increases in the provision for loan losses, which would adversely affect our business, financial condition, and results of operation.

A large percentage of our loans are secured by real estate, and adverse changes in the real estate market may result in losses.

As of September 30, 2017, approximately 80% of the Bank s loan portfolio consisted of real estate loans. The majority of these real estate loans are located in Colorado, and the Bank s loan portfolio may be affected by a downturn in the residential and commercial real estate market. Real estate values and real estate markets are generally affected by changes in national, regional or local economic conditions, fluctuations in interest rates and the availability of loans to potential purchasers, changes in tax laws and other governmental statutes, regulations and policies and acts of nature. Any decline in the real estate markets in our primary market area could adversely affect our business, results of operations and financial condition. If real estate values declined, the collateral for our loans would provide less security. As a result, our ability to recover on defaulted loans by selling the underlying real estate would be diminished and we would be more likely to suffer losses on defaulted loans. The events and conditions described in this risk factor could therefore have a material adverse effect on our business, results of operations and financial condition.

The level of our commercial real estate loan portfolio may subject us to heightened regulatory scrutiny.

The FDIC, the Federal Reserve and the Office of the Comptroller of the Currency have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under the guidance, a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify potential concentrations in commercial real estate lending. A financial institution may have such a concentration if, among other factors: (i)total reported loans for construction, land development, and other land represent 100% or more of total risk-based capital (**CRE 1 Concentration**); or (ii)total reported loans for construction, land development and other land and loans secured by multifamily and non-owner occupied non-farm, non-residential properties (excluding loans secured by owner-occupied properties) represent 300% or more of total risk-based capital (**CRE 2 Concentration**) and the institution s commercial real estate loan portfolio has increased by 50% or more during the prior 36-month period. In such an instance, management should employ heightened risk management practices, including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing.

As of September 30, 2017, the Bank s CRE 1 Concentration level was 12% and its CRE 2 Concentration level was 193%. While each of these levels is beneath regulatory maximums, there can be no assurance that that will remain the case, and if the Bank is considered to have a concentration in the future and our risk management practices are found to be deficient, it could result in increased reserves and capital costs as well as potential regulatory enforcement action.

The Bank s allowance for loan losses may prove to be insufficient to absorb losses in the Bank s loan portfolio.

As a lender, the Bank is exposed to the risk that its borrowers may not repay their loans according to the terms of these loans and that the collateral securing the payment of a particular loan may be insufficient to fully compensate for the outstanding balance of the loan and the costs to dispose of the underlying collateral. The Bank maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, that represents management s best estimate of probable incurred losses within the Bank s existing portfolio of loans. Additional credit losses will likely occur in the future and may occur at a rate greater than the Bank has experienced to date. The level of the allowance reflects management s ongoing evaluation of specific credit risks, loan loss experience, loan portfolio quality, economic conditions, loan industry concentrations, and other potential but

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unidentifiable losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and judgment and requires management to make significant estimates of current credit risks, future trends, and general economic conditions, all of which may undergo material changes.

Further, the measure of the Bank s allowance for loan losses is also dependent on the adoption of new accounting standards. The Financial Accounting Standards Board recently issued an Accounting Standards Update that presents a new credit impairment model, the Current Expected Credit Loss (**CECL**) model, which would require financial institutions to estimate and develop a provision for credit losses at origination for the lifetime of the loan, as opposed to reserving for incurred or probable losses up to the balance sheet date. Under the CECL model, credit deterioration would be reflected in the income statement in the period of origination or acquisition of the loan, with changes in expected credit losses due to further credit deterioration or improvement reflected in the periods in which the expectation changes. Accordingly, the CECL model could require financial institutions such as the Bank to increase their allowances for loan losses. Moreover, the CECL model could create more volatility in the Bank s level of allowance for loan losses. The Bank is still evaluating the effects that CECL may have on its financial results, but anticipates that it will add complexity and cost to its current credit loss evaluation process.

Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Bank s control, may require an increase in the allowance for loan losses. Likewise, increases in nonperforming loans have a significant impact on the Bank s allowance for loan losses. If real estate values decline, the Bank could experience increased delinquencies and credit losses, particularly with respect to commercial real estate loans. Likewise, if management s assumptions prove to be incorrect or if the Bank experiences significant loan losses in future periods, the Bank s current level of allowance may not be sufficient to cover actual loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in the Bank s loan portfolio. A material change to the allowance could cause net income and possibly capital to decrease.

In addition, federal and state regulators periodically review the Bank s allowance for loan losses and may require the Bank to increase its allowance for loan losses or recognize loan charge-offs based on judgments different than those of management. Any increase in the Bank s allowance for loan losses or charge-offs as required by these regulatory agencies could have a material adverse effect on our financial condition and results of operations.

Non-performing assets take significant time to resolve and may adversely affect our results of operations and financial condition, and could result in losses in the future.

As of September 30, 2017, we had no non-performing loans (which consist of nonaccrual loans and troubled debt restructurings on accrual status) or non-performing assets (which include foreclosed real estate). Non-performing assets adversely affect net income in various ways. We do not record interest income on non-accrual loans or on other real estate owned (**OREO**), thereby adversely affecting our income and increasing our loan administration costs. When we take collateral in foreclosures and similar proceedings, we are required to mark the related loan to the then fair market value of the collateral, which may result in a loss. These loans and OREO also increase our risk profile and the capital requirements that our regulators believe are appropriate in light of such risks. While the Company works to reduce its problem assets through workouts, restructurings and otherwise, decreases in the values of these assets, the underlying collateral, or in the borrowers performance or financial conditions, whether or not due to economic and market conditions beyond our control, could adversely affect our business, results of operations and financial condition. In addition, the resolution of non-performing assets requires significant commitments of time from management and directors, which can decrease their ability to perform their other responsibilities.

An additional risk related to OREO assets is our potential exposure to losses as a result of a decline in the fair market value of an individual OREO parcel. There can be no assurance that we will not experience increases in non-performing loans in the future, or that our non-performing assets will not result in losses in the future.

We are subject to interest rate risk.

Fluctuations in interest rates may negatively impact our banking business. Our primary source of income from operations is net interest income, which is the difference between the interest income received on interest-earning assets (usually loans and investment securities) and the interest expense incurred in connection with interest-bearing

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liabilities (usually deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve System (the **FOMC**) and market interest rates.

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is driven primarily by the FOMC s actions. However, the yields generated by our loans and securities are typically driven by longer-term interest rates, which are set by the market or, at times the FOMC s actions, and generally vary from day to day. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. If the interest rates on our interest-bearing liabilities increase faster than the interest rates on our interest-earning assets, our net interest income may decline and with it, a decline in our earnings may occur. Our net interest income and earnings would be similarly affected if the interest rates on our interest-earning assets declined faster than the interest rates on our interest-bearing liabilities. As a result, our business, results of operations or financial condition may be adversely affected, perhaps materially.

Changes in interest rates can also affect the slope of the yield curve. A decline in the current yield curve or a flatter or inverted yield curve could cause our net interest income and net interest margin to contract, which could have a material adverse effect on our net income and cash flows, as well as the value of our assets. An inverted yield curve may also adversely affect the yield on investment securities by increasing the prepayment risk of any securities purchased at a premium.

An increase in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to make payments under their current adjustable-rate loan obligations. These circumstances could not only result in increased loan defaults, foreclosures and charge-offs, but also necessitate further increases to the allowance for loan losses, which may materially and adversely affect our business, results of operations or financial condition.

Prolonged lower interest rates may adversely affect our net income.

Prolonged lower interest rates, particularly medium and longer-term rates, may have an adverse impact on the composition of our earning assets, our net interest margin, our net interest income and our net income. Among other things, a period of prolonged lower rates may cause prepayments to increase as our clients seek to refinance existing home loans. Such an increase in prepayments and refinancing activity would likely result in a decrease in the weighted average yield of our earning assets, an increase in salary and bonus expense as a result of higher loan volume and an increase in provision expense for new loans added to the portfolio.

Our cost of funds may increase as a result of numerous factors, which may reduce our profitability and subject us to additional liquidity and funding risks.

Our cost of funds may increase because of, among other things, general economic conditions, unfavorable conditions in capital markets, changes in interest rates, government intervention and support of competitors, government price controls and competitive pressures. We obtain funds principally through deposits and, to a lesser extent, other borrowings. As a general rule, deposits are a cheaper and more stable source of funds than borrowings. Checking and savings account balances and other forms of deposits can decrease when our deposit customers perceive alternative investments, such as the stock market or other non-depository investments, as providing superior returns or seek to spread their deposits over multiple banks to maximize FDIC insurance coverage. Furthermore, technological and other changes have made it more convenient for bank customers to transfer funds into alternative investments, including products offered by other financial institutions and non-bank service providers. As a result, increases in short-term interest rates could increase transfers of deposits to higher yielding deposits. Efforts and initiatives we undertake to retain and increase deposits, including deposit pricing, can increase our costs. When bank customers move money out of bank deposits in favor of alternative investments or into higher yielding deposits, or spread their accounts over several banks, we can lose a relatively inexpensive source of funds, thus increasing our funding costs. If, as a result of general economic conditions, market interest rates, competitive pressures or other factors, our level of deposits decreases relative to our overall banking activities, we may need to

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rely more heavily on borrowings and wholesale funding as sources of funds, and this may negatively impact our net interest margin and subject us to additional liquidity and funding risks.

The value of securities in our portfolio may be negatively affected by disruptions in securities markets.

The market for some of the investment securities held in our portfolio has been volatile in recent years. Volatile market conditions may negatively affect the value of these securities due to the perception of heightened credit and liquidity risks. There can be no assurance that the potential declines in market value associated with these disruptions will not result in other-than-temporary impairments of these assets, which would lead to impairment charges that could have a material adverse effect on our net income and capital levels.

We depend on the accuracy and completeness of information about clients and counterparties and our financial condition could be adversely affected if we rely on misleading information.

We rely heavily upon information supplied to us by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, we may fund a loan that we would not have otherwise funded or we may fund a loan on terms that we would not have otherwise extended. Whether a misrepresentation is made by the applicant or by another third party, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentation are often difficult to locate, and it is often difficult to recover any of the monetary losses we may suffer.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement or may acquire new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and new products and services, we may invest significant time and resources. We may not achieve target timetables for the introduction and development of new lines of business and new products or services and price and p