

PRIME MERIDIAN HOLDING COMPANY

Insider Trading Policy

Revised February 21, 2019

INTRODUCTION

This policy provides guidelines to directors, officers, and employees of Prime Meridian Holding Company and its subsidiary, Prime Meridian Bank (collectively, the “Company”) with respect to transactions in the Company’s securities.

APPLICABILITY OF POLICY

This policy applies to all directors, officers, and employees of the Company and its subsidiaries who receive or have access to information regarding the Company that is material and nonpublic (“Material Nonpublic Information”), as described below. Any person with possession of Material Nonpublic Information is referred to as an Insider. Insiders, including members of their immediate family and members of their household, as well as the Company’s professional advisors (e.g. accountants, attorneys, investment bankers, and consultants) who may receive Material Nonpublic Information are subject to this policy.

GENERAL POLICY

It is the policy of the Company to oppose the unauthorized disclosure of any Material Nonpublic Information acquired by any Insider in or outside of the workplace and the misuse of Material Nonpublic Information in securities trading. It is a violation of the Company’s policy and federal law for any Insider to trade the Company’s securities while he or she is in possession of Material Nonpublic Information about the Company. It is also illegal and against Company policy to communicate or “tip” Material Nonpublic Information to others so that they may trade in Company securities based on that information.

MATERIAL INFORMATION

It is not possible to define all categories of material information. Positive or adverse information should be regarded as material if there is a reasonable likelihood that it would influence an investor in making an investment decision to buy, sell, or hold the Company’s securities or information that would likely affect the price of the Company’s securities. Information can be material even if it relates to future, speculative, or contingent events and even if it is significant only when considered in combination with publicly available information. Material information can also be acquired from sources outside of the Company. Moreover, the prohibitions against misuse of Material Non Public Information can include restrictions on the sale of other companies’ securities that may be affected by such information.

Examples of material information may include:

- Financial performance, especially quarterly and year-end earnings
- Projections or changes in earnings estimates
- News of a pending or proposed merger or acquisition
- News of the disposition or acquisition of a subsidiary or other significant asset
- Regulatory matters
- Making major loans
- Problems with major loans
- Significant disputes with clients
- Major changes in accounting methods
- Bankruptcy or insolvency
- Stock splits or dividends
- Liquidity problems
- Actual or threatened litigation
- Major changes in management
- Gain or loss of a significant client or vendor
- Contemplation of public or private securities offerings
- A significant cybersecurity incident including, but not limited to, one where customer information may have been disclosed

NONPUBLIC INFORMATION

Information is considered to be nonpublic until it has been effectively disclosed to the public and there has been adequate time for the market to digest and disseminate the information. Examples of effective disclosures include the Company's filings with the Securities and Exchange Commission (the "SEC"). Generally, no transactions should take place until after two full trading days following public disclosure of the information have passed to allow adequate time for the investors and public to absorb the information.

The circulation of rumors or "talk on the street", even if accurate, widespread, or reported in the media, does not constitute public disclosure. When there are questions about materiality or whether information is public, assume that the information is "material" and "nonpublic", treat confidentially, and contact the Company's CEO, CFO, or corporate counsel for clarification.

PENALTIES FOR VIOLATION INSIDER TRADING LAWS

Penalties for trading on or communicating Material Nonpublic Information are severe, both for individuals involved in such unlawful conduct and their employers and supervisors. A person who violates the insider trading laws can be subject to the following penalties:

- Forfeiture of trading gains made or losses avoided, as well as civil penalties of up to the greater of \$1,000,000 or up to three times the trading gains made or losses avoided;
- Criminal fines of up to \$1,000,000; or

- Imprisonment of up to 10 years (25 years if the action constitutes fraud).

The SEC also has authority to seek substantial penalties from any person who, at the time of an insider trading violation, “directly or indirectly controlled the person who committed such violation.” This could include not only the Company itself but also individuals such as officers and supervisors who are deemed to be “controlling persons” of violators. Such persons may be held liable for up to the greater of \$1,000,000 or three times the amount of the profit gained or loss avoided. Thus, even for violations that result in a small or no profit, the SEC can seek a minimum of up to \$1,000,000 from the Company and various management and supervisory personnel. The Company is also subject to criminal penalties for insider trading violations committed by employees.

Given the severity of the potential penalties, a violation of the Company’s insider trading policy may result in internal discipline, ineligibility for future participation in the Company’s stock incentive plans, or termination of employment or service at the Company.

PROHIBITED INSIDER TRANSACTIONS

When an individual is in possession of Material Nonpublic Information about the Company, the Insider may not:

- Trade the Company’s securities;
- Advise others to buy, hold, or sell the Company’s securities based on the Material Nonpublic Information;
- Have others trade the Company’s securities for him or her; or
- Disclose or “tip” the information to anyone else who may trade the Company’s securities

These prohibitions apply not only to Insiders but also to their immediate family, persons living in their households, and entities over which the Insider exercises control.

POLICIES FOR INSIDERS

Trading Window

Insiders may not trade the Company’s stock during the “black out” period that begins five trading days before the end of a fiscal quarter and concludes at the end of the second trading day following the public disclosure of information. A trading day is defined as a day that the stock exchange or market on which the Company’s securities are traded is open.

Short Sales

Short selling is the act of borrowing securities to sell with the expectation of price dropping and the intent of buying the security back at a lower price to replace the borrowed securities. Insiders may not sell the Company’s securities short.

Individual Responsibility

Every director, officer, and employee has the individual responsibility to comply with this policy to avoid insider trading. The policy sets forth guidelines and appropriate judgment should be exercised in connection with any trade in the Company's securities.

RESTRICTED INSIDERS

The following individuals are likely to obtain Material Nonpublic Information on a regular basis and are classified as Restricted Insiders and must abide by the specific guidelines set forth in this policy.

- Members of the Board of Directors of the Company or any subsidiary
- Chief Executive Officer and President of the Company or any subsidiary
- All Senior or Executive Vice Presidents of the Company or any subsidiary

POLICIES FOR RESTRICTED INSIDERS

Pre-clearance of Trades

Restricted Insiders may trade the Company's securities outside of the "black out" periods after pre-clearing the trade with the Company's CEO or CFO. This pre-clearance process will avoid short-swing trading liabilities, criminal and civil liabilities, and assist in properly reporting trades via Rule 144 and Form 4 to the SEC (if applicable). Currently, Restricted Insiders are not required to file Form 4s, because no Company securities are registered under Section 12 of the Securities Exchange Act of 1934.

Short-Term Trading

Restricted Insiders who purchase or sell Company securities may not engage in a transaction in the following six (6) months which results in the Restricted Insider making a net profit on such transactions. Any purchase and sale, or sale and purchase, of Company securities by a Restricted Insider made during any given six (6) month period will be matched for purposes of measuring whether any profit has been earned.

SPECIAL EXCEPTIONS

The trading prohibitions and restrictions set forth in this policy do not apply to the following benefit plans.

- Exercise of stock options under the Company's stock option plans
- The purchase of shares under the Director Compensation Plan

The Company is the other party to these transactions and the price does not vary with the market but is fixed by the terms of the shareholder approved plan.

Furthermore, an Insider may buy or sell Company securities if the Insider is complying with an SEC-compliant “10b5-1 trading plan” that was entered into outside of a “black out” period and when the Insider was not in possession of Material Nonpublic Information.

MONITORING

The Company has appointed the Company’s CEO and CFO to monitor the Company’s and its Insider’s compliance with this policy. The duties shall include, but are not limited to, the following:

- Pre-clearing all transactions involving the Company’s securities by those Restricted Insiders;
- Assisting in the preparation of SEC Forms 3, 4, and 5, if applicable;
- Training all directors, officers, and employees annually on this policy;
- Assisting the Company’s Board of Directors in implementation of this policy; and
- Communicating with the Company’s corporate counsel regarding compliance activities with respect to insider trading

EXAMPLES OF POSSIBLE INSIDER TRADING VIOLATIONS

When most people think of insider trading, names associated with Wall Street come to mind. However, anyone can be found guilty of insider trading. Four examples of insider trading are:

1. The Chief Executive Officer holds a meeting of senior employees three weeks prior to the end of the quarter and presents slides showing that it will be a very profitable quarter. An employee in attendance at the meeting anticipates that the stock price will go up when the quarterly earnings are made public, and buys 50 shares prior to the public announcement. The employee then sells the 50 shares shortly after the announcement of quarterly earnings and makes a profit. The insider trading violation occurred when the employee purchased the shares using nonpublic information. The violation would not have occurred if the employee had waited to purchase the shares until after two full trading days following the public release of quarterly earnings.
2. Your child is starting college and you need money for the tuition. You decide to sell 500 shares of stock that you own. Two weeks after you sell, the stock price drops because of very bad news about the Company. You were told about the bad news at a staff meeting before you sold your stock and before the information was publicly announced. The insider trading violation occurred when you sold stock at a time when you had Material Nonpublic Information, even though this was not the reason why you sold your shares. The SEC is *not* interested in why you sold your stock and will prosecute you because of what you knew at the time your sale took place. Your intention does not matter to the SEC.
3. You mention to your brother-in-law at a family picnic that the Company is about to acquire another bank next month. Your brother-in-law then purchases 100 shares of the

Company stock before the acquisition is publicly announced, and sells the shares for a big profit after the announcement. The insider trading violation occurred when your brother-in-law purchased the shares based on Nonpublic Material Information. The SEC will not only investigate your brother-in-law for his obvious insider trading violation, but can also fine *you* for up to three times the profit made on *his* transaction. This is an example of a “tipper”/“tippee” violation.

4. Through the course of your job, you discover that a large borrower of one of the Company’s subsidiaries is about to declare bankruptcy, but it has not yet been announced to the public. You own 1,000 shares of this borrower’s stock which you immediately sell prior to the public announcement of the bankruptcy. After the bankruptcy the stock price of the other company falls drastically, but you avoided a loss by selling before the announcement. The insider trading violation occurred when you sold your stock in the borrower’s company based on Material Nonpublic Information, and among other penalties, you can be fined up to three times the loss avoided. The obligation to not engage in insider trading extends to any Material Nonpublic Information you may learn about any publicly traded company.

PRACTICAL WAYS TO PROTECT MATERIAL NONPUBLIC INFORMATION

Material Nonpublic Information (and all other confidential information) should be communicated only to those people who need to know it for a legitimate business purpose and who are authorized to receive the information in connection with their employment responsibilities.

The following practices should be followed to help prevent the misuse of Material Nonpublic Information and other types of confidential information:

1. Avoid discussing or even speculating about confidential matters in places where you may be overheard by people who do not have a valid need to know the information. Do not discuss confidential information with relatives or social acquaintances.
2. Always put confidential documents away when not in use. Do not leave documents containing confidential information where they may be seen by persons who do not have a need to know the content of the documents.
3. Do not give your computer IDs and passwords to any other person. Password protect computers and log off when they are not in use.
4. Comply with the specific terms of any confidentiality agreements of which you are aware.