

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

CAPITAL BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction
of Incorporation or Organization)

52-2083046
(IRS Employer
Identification No.)

2275 Research Boulevard, Suite 600
Rockville, Maryland
(Address of Principal Executive Offices)

20850
(Zip Code)

HCNB Bancorp, Inc. 2002 Stock Option Plan
Capital Bancorp, Inc. 2017 Stock and Incentive Compensation Plan
(Full Title of the Plans)

Edward F. Barry
Chief Executive Officer
Capital Bancorp, Inc.
2275 Research Boulevard, Suite 600
Rockville, MD 20850
(301) 468-8848

Copies to:
Kevin M. Houlihan, Esq.
William H. Levay, Esq.
Holland & Knight LLP
800 17th Street, Suite 1100
Washington, D.C. 20006
(202) 955-3000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. x

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be registered ⁽¹⁾	Proposed maximum offering price per share	Proposed maximum offering price	Amount of Registration Fee
Common Stock, \$0.01 par value per share	951,360 ⁽²⁾	7.09 ⁽⁴⁾	\$6,745,142	\$817.51
Common Stock, \$0.01 par value per share	1,211,300 ⁽³⁾	12.52 ⁽⁵⁾	\$15,165,476	\$1,838.06

- (1) Together with an indeterminate number of additional shares which may be necessary to adjust the number of shares reserved for issuance pursuant to the HCNB Bancorp, Inc. 2002 Stock Option Plan (the “2002 Plan”) and the Capital Bancorp, Inc. 2017 Stock and Incentive Compensation Plan (the “2017 Plan”) and, together with the 2002 Plan, the “Plans”) as the result of a stock split, stock dividend or similar adjustment to the outstanding common stock of Capital Bancorp, Inc. (the “Common Stock”) pursuant to 17 C.F.R. §230.416(a).
- (2) Represents the shares of Common Stock which may be issued upon the exercise of stock options to purchase shares of common stock granted under the 2002 Plan.
- (3) Represents the shares of Common Stock which may be distributed upon the vesting of restricted stock, restricted stock units or stock appreciation rights granted under the 2017 Plan, or which may be issued upon the exercise of stock options to purchase shares of Common Stock granted under the 2017 Plan.
- (4) This calculation is made solely for the purpose of determining the registration fee pursuant to Rule 457(h) under the Securities Act of 1933, as amended (the “Securities Act”) on the basis of \$7.09 per share, which is the weighted average exercise price of the outstanding options under the 2002 Plan.
- (5) This calculation is estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) and (h) under the Securities Act. The maximum offering price per share and the maximum aggregate offering price are based upon a price of \$12.52 per share, which is the average of the high and low prices of shares of Common Stock on the Nasdaq Global Select Market on November 16, 2018.

PART I
INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1 & 2. Plan Information and Registrant Information and Employee Plan Annual Information

The documents containing the information for each of the HCNB Bancorp, Inc. 2002 Stock Option Plan (the “2002 Plan”) and the Capital Bancorp, Inc. 2017 Stock and Incentive Compensation Plan (the “2017 Plan” and, together with the 2002 Plan, the “Plans”) specified by Part I of this Registration Statement will be sent or given to participants in the Plans specified by Rule 428(b)(1) of the Securities Act. These documents are not required to be filed with the Securities and Exchange Commission (the “SEC”) either as part of this Registration Statement or as a prospectus or prospectus supplement pursuant to Rule 424 of the Securities Act in reliance on Rule 428 of the Securities Act. These documents and the documents incorporated by reference in this Registration Statement pursuant to Item 3 of Part II of this Registration Statement, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed or to be filed by Capital Bancorp, Inc. (the “Registrant” or the “Company”) with the SEC are incorporated by reference in this Registration Statement:

- (a) The prospectus filed by the Registrant with the SEC pursuant to Rule 424(b) under the Securities Act, on September 26, 2018, relating to the registration statement on Form S-1, as amended (File No. 333-227172), which contains the Registrant’s audited financial statements for the latest fiscal year for which such statements have been filed;
- (b) The description of the Registrant’s common stock contained in the Registrant’s Form 8-A (File No. 001-38671), as filed with the SEC on September 21, 2018, including any amendments or reports filed for the purpose of updating such description;

All documents filed by the Registrant, where applicable, pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1935, as amended (the “Exchange Act”) after the date hereof and prior to the filing of a post-effective amendment to this Registration Statement which deregisters all securities then remaining unsold (in each case other than those portions furnished under Items 2.02, 7.01 and 9.01 of Form 8-K), shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing such documents.

Any statement contained in this Registration Statement, or in a document incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein, or in any subsequently filed document which also is incorporated or deemed to be incorporated by reference herein, modifies or supersedes such prior statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable, as the Registrant’s Common Stock is registered under Section 12 of the Exchange Act.

Item 5. Interests of Named Experts and Counsel.

None.

Item 6. Indemnification of Directors and Officers.

The Maryland General Corporation Law permits a corporation to indemnify its present and former directors, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their services in those capacities, unless it is established that:

- (1) the act or omission of the director was material to the matter giving rise to such proceeding and

- (A) was committed in bad faith or
- (B) was the result of active and deliberate dishonesty;

(2) the director actually received an improper personal benefit in money, property, or services; or

(3) in the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful.

Maryland law permits a corporation to indemnify a present and former officer to the same extent as a director.

In addition to the foregoing, a court of appropriate jurisdiction: (1) shall order indemnification of reasonable expenses incurred by a director who has been successful, on the merits or otherwise, in the defense of any proceeding identified above, or in the defense of any claim, issue or matter in the proceeding; and (2) may under certain circumstances order indemnification of a director or an officer who the court determines is fairly and reasonably entitled to indemnification in view of all of the relevant circumstances, whether or not the director or officer has met the standards of conduct set forth in the preceding paragraph or has been declared liable on the basis that a personal benefit improperly received in a proceeding charging improper personal benefit to the director or the officer, provided, however, that if the proceeding was an action by or in the right of the corporation or involved a determination that the director or officer received an improper personal benefit, no indemnification may be made if the director or officer is adjudged liable to the corporation, except to the extent of expenses approved by a court of appropriate jurisdiction.

The Maryland General Corporation Law also permits a corporation to pay or reimburse, in advance of the final disposition of a proceeding, reasonable expenses incurred by a present or former director or officer made a party to the proceeding by reason of his or her service in that capacity, provided that the corporation shall have received:

- (1) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation; and
- (2) a written undertaking by or on behalf of the director or officer to repay the amount paid or reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met.

The Company has provided for indemnification of directors, officers, employees and agents in Article Seventh of its Amended and Restated Articles of Incorporation (the "Charter"). This provision of the Charter reads as follows:

(A) *Personal Liability of Directors.* A director of the Corporation shall not be personally liable for monetary damages for any action taken, or any failure to take any action, as a director except to the extent that by law a director's liability for monetary damages may not be limited.

(B) *Indemnification.* The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, including actions by or in the right of the Corporation, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgements, fines, excise taxes and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the fullest extent permissible under Maryland law.

(C) *Advancement of Expenses.* Reasonable expenses incurred by an officer, director, employee or agent of the Corporation in defending a civil or criminal action, suit or proceeding described in Section B of this Article VI may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that the person is not entitled to be indemnified by the Corporation.

(D) *Other Rights.* The indemnification and advancement of expenses provided by or pursuant to this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any insurance or other agreement, vote of stockholders or directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a

person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

(E) *Insurance.* The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have power to indemnify him against such liability under the provisions of this Article VI.

(F) *Security Fund; Indemnity Agreements.* By action of the Board of Directors (notwithstanding their interest in the transaction), the Corporation may create and fund a trust fund or fund of any nature, and may enter into agreements with its officers, directors, employees and agents for the purpose of securing or insuring in any manner its obligation to indemnify or advance expenses provided for in this Article VI.

The Maryland General Corporation Law authorizes a Maryland corporation to limit by provision in its Articles of Incorporation the liability of directors and officers to the corporation or to its stockholders for money damages except to the extent:

- (1) the director or officer actually receives an improper benefit or profit in money, property, or services, for the amount of the benefit or profit actually received, or
- (2) a judgment or other final adjudication adverse to the director or officer is entered in a proceeding based on a finding in the proceeding that the director's or officer's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

The Corporation has limited the liability of its directors and officers for money damages in Article Seventh of the Charter as noted above.

As permitted under Section 2-418(k) of the Maryland General Corporation Law, the Corporation has purchased and maintains insurance on behalf of its directors and officers against any liability asserted against such directors and officers in their capacities as such, whether or not the Corporation would have the power to indemnify such persons under the provisions of Maryland law governing indemnification.

Item 7. Exemption From Registration Claimed.

None.

Item 8. Exhibits.

The following exhibits are filed with or incorporated by reference into this Registration Statement on Form S-8 (numbering corresponds generally to the Exhibit Table in Item 601 of Regulation S-K).

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Form S-1 Registration Statement filed with the SEC on August 31, 2018) (File No. 333-227172)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of the Company's Form S-1 Registration Statement filed with the SEC on August 31, 2018) (File No. 333-227172)
4.1	Specimen common stock certificate (incorporated by reference to Exhibit 4.1 of the Company's Form S-1 Registration Statement filed with the SEC on September 17, 2018) (File No. 333-227172)
5.1	Opinion of Holland & Knight LLP with respect to the legality of the securities being registered
10.1	HCNB Bancorp, Inc. 2002 Stock Option Plan
10.2	Form of Incentive Stock Option Award Agreement under the HCNB Bancorp, Inc. 2002 Stock Option Plan
10.3	Form of Non-Incentive Stock Option Award Agreement under the HCNB Bancorp, Inc. 2002 Stock Option Plan
10.4	Capital Bancorp, Inc. 2017 Stock and Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 of the Company's Form S-1 Registration Statement filed with the SEC on August 31, 2018) (File No. 333-227172)
10.5	Form of Restricted Stock Award Agreement under the Capital Bancorp, Inc. 2017 Stock and Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 of the Company's Form S-1 Registration Statement filed with the SEC on September 17, 2018) (File No. 333-227172)
10.6	Form of Restricted Stock Unit Award Agreement under the Capital Bancorp, Inc. Stock and Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 of the Company's Form S-1 Registration Statement filed with the SEC on September 17, 2018) (File No. 333-227172)
10.7	Form of Incentive Stock Option Award Agreement under the Capital Bancorp, Inc. Stock and Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 of the Company's Form S-1 Registration Statement filed with the SEC on September 17, 2018) (File No. 333-227172)
10.8	Form of Non-Qualified Stock Option Award Agreement under the Capital Bancorp, Inc. Stock and Incentive Compensation Plan (incorporated by reference to Exhibit 10.5 of the Company's Form S-1 Registration Statement filed with the SEC on September 17, 2018) (File No. 333-227172)
10.9	Form of Stock Appreciation Right Award Agreement under the Capital Bancorp, Inc. Stock and Incentive Compensation Plan (incorporated by reference to Exhibit 10.6 of the Company's Form S-1 Registration Statement filed with the SEC on September 17, 2018) (File No. 333-227172)
23.1	Consent of Holland & Knight LLP (contained in their opinion, which is filed as Exhibit 5.1)
23.2	Consent of Elliott Davis, LLC
24.1	Power of Attorney (contained in the signature page hereto) (incorporated by reference to Exhibit 24.1 of the Company's Form S-1 Registration Statement filed with the SEC on August 31, 2018) (File No. 333-227172)

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offered range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(2)(ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the SEC by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(h) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Capital Bancorp, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Rockville, State of Maryland, on November 21, 2018.

CAPITAL BANCORP, INC.:

By: /s/ Edward F. Barry
Edward F. Barry
Chief Executive Officer

We, the undersigned directors and officers of Capital Bancorp, Inc. (the "Registrant") hereby severally constitute and appoint Edward F. Barry with full power of substitution, our true and lawful attorney-in-fact and agents, to do any and all things in our names in the capacities indicated below which said Edward F. Barry may deem necessary or advisable to enable the Registrant to comply with the Securities Act of 1933, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the registration statement on Form S-8 of the Registrant, including specifically but not limited to, power and authority to sign for us in our named in the capacities indicated below, the Registration Statement and any and all amendments (including post-effective amendments) thereto; and we hereby ratify and confirm all that said Edward F. Barry share lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

<u>Signature</u>	<u>Date</u>	<u>Signature</u>	<u>Date</u>
<u>/s/ Edward F. Barry</u> Edward F. Barry, Chief Executive Officer and Director	November 21, 2018	<u>/s/ Alan W. Jackson</u> Alan W. Jackson, Executive Vice President and Chief Financial Officer	November 21, 2018
<u>/s/ Stephen N. Ashman</u> Stephen N. Ashman, Chairman of the Board of Directors	November 21, 2018	<u>/s/ Scot R. Browning</u> Scot R. Browning, Director	November 21, 2018
<u>/s/ Joshua Bernstein</u> Joshua Bernstein, Director	November 21, 2018	<u>/s/ Michael Burke</u> Michael Burke, Director	November 21, 2018
<u>/s/ Randall J. Levitt</u> Randall J. Levitt, Director	November 21, 2018	<u>/s/ Deborah Ratner Salzberg</u> Deborah Ratner Salzberg, Director	November 21, 2018
<u>/s/ Steven J. Schwartz</u> Steven J. Schwartz, Director	November 21, 2018	<u>/s/ James F. Whalen</u> James F. Whalen, Director	November 21, 2018

November 21, 2018

Board of Directors
Capital Bancorp, Inc.
2275 Research Boulevard
Suite 600
Rockville, MD 20850

Re: Securities Being Registered under Registration Statement on Form S-8

Ladies and Gentlemen:

We have acted as counsel to Capital Bancorp, Inc., a Maryland corporation (the “Company”), in connection with the preparation and filing of the Company’s Registration Statement on Form S-8 (the “Registration Statement”) pursuant to the Securities Act of 1933, as amended (the “Securities Act”), on or about the date hereof relating to the registration of (i) 951,360 shares of Company common stock that may be issued upon the exercise of options to purchase shares of common stock granted under the HCNB Bancorp, Inc. 2002 Stock Option Plan (the “2002 Plan”) and (ii) 1,211,300 shares of Company common stock which will be distributed upon the vesting of restricted stock, restricted stock units or stock appreciation rights granted under the Capital Bancorp, Inc. 2017 Stock and Incentive Compensation Plan (the “2017 Plan” and, together with the 2002 Plan, the “Plans”), or which may be issued upon the exercise of stock options to purchase shares of common stock granted under the 2017 Plan.

In connection with this opinion, we have examined and relied upon originals or copies of (1) the Plans; (2) the forms of award agreements under the Plans, as applicable; (3) the Registration Statement; (4) the Amended and Restated Articles of Incorporation of the Company; (5) the Amended and Restated Bylaws of the Company; (6) certain resolutions of the Board of Directors of the Company; and (7) such other instruments, documents and records as we have deemed necessary, relevant or appropriate for the purposes hereof. We have relied on, and assumed the accuracy of, certificates of officers of the Company and of public officials and others as to certain matters of fact relating to this opinion and have made such investigations of law as we have deemed necessary and relevant as a basis for the opinions set forth below.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as facsimile, electronic, certified or photostatic copies, and the authenticity of the originals of such copies. In making our examination of executed documents, we have assumed that the parties thereto, other than the Company, had the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and the execution and delivery by such parties of such documents and the validity and binding effect thereof on such parties.

Based on the foregoing and subject to the qualifications, assumptions and limitations stated herein, and assuming no change in relevant facts, it is our opinion that the shares reserved for issuance and distribution under the Plans have been duly authorized by the Company, and when issued in the manner described in the Plans and pursuant to the agreements which accompany each grant under the Plans, the shares will be legally and validly issued, fully-paid and non-assessable.

The opinion expressed herein is limited to the laws of the State of Maryland, which includes reported judicial decisions interpreting the laws of the State of Maryland, and we express no opinion as to the effect on matters covered by this letter of the laws of any other jurisdiction.

The opinion speaks only as of its date. We undertake no obligation to advise the addressees (or any other third party) of changes in law or fact that occur after the date hereof, even though the change may affect the legal analysis, a legal conclusion or an informational confirmation in the opinion.

We hereby consent to the filing of this opinion as an exhibit to the Company's Registration Statement on Form S-8, and further consent to the use of our name wherever appearing in the Registration Statement and any amendments thereto. In giving this consent, we do not thereby admit that we included within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Securities and Exchange Commission issued thereunder.

Very truly yours,

/S/ HOLLAND & KNIGHT LLP

HOLLAND & KNIGHT LLP

HCNB BANCORP, INC.
2002 STOCK OPTION PLAN

1. Purpose of the Plan. The purpose of this HCNB Bancorp, Inc. 2002 Stock Option Plan (the “Plan”) is to advance the interests of the Company by providing directors and selected key employees of the Bank, the Company, and their Affiliates with the opportunity to acquire Shares. By encouraging stock ownership, the Company seeks to attract, retain and motivate the best available personnel for positions of substantial responsibility; to provide additional incentive to directors and key employees of the Company, the Bank and their Affiliates to promote the success of the business as measured by the value of its shares; and generally to increase the commonality of interests among directors, key employees, and other shareholders.

2. Definitions. In this Plan:

(a) “Affiliate” means any “parent corporation” or “subsidiary corporation” of the Company as such terms are defined in Section 424(e) and (f), respectively, of the Code.

(b) “Agreement” means a written agreement entered into in accordance with Paragraph 5(c).

(c) “Bank” means Harbor Capital National Bank.

(d) “Board” means the Board of Directors of the Company.

(e) “Bank Board” means the Board of Directors of the Bank.

(f) “Change in Control” means any one of the following events occurring after the Effective Date: (1) the acquisition of ownership, holding or power to vote more than 25% of the Bank’s or Company’s voting stock, (2) the acquisition of the power to control the election of a majority of the Bank’s or Company’s directors, (3) the exercise of a controlling influence over the management or policies of the Bank or the Company by any person or by persons acting as a “group” (within the meaning of Section 13(d) of the Securities Exchange Act of 1934), or (4) the failure of Continuing Directors to constitute at least two-thirds of the Board of Directors of the Company or the Bank (the “Company Board”) during any period of two consecutive years. For purposes of this Plan, “Continuing Directors” shall include only those individuals who were members of the Company Board at the Effective Date and those other individuals whose election or nomination for election as a member of the Company Board was approved by a vote of at least two-thirds of the Continuing Directors then in office. For purposes of this subparagraph only, the term “person” refers to an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of entity not specifically listed herein. The decision of the Committee as to whether a Change in Control has occurred shall be conclusive and binding.

(g) “Code” means the Internal Revenue Code of 1986, as amended.

- (h) “Committee” means the Stock Option Committee appointed by the Board in accordance with Paragraph 5(a) hereof.
- (i) “Common Stock” means the common stock, par value \$0.01 per share, of the Company.
- (j) “Company” means HCNB Bancorp, Inc.
- (k) “Continuous Service” means the absence of any interruption or termination of service as an Employee of the Company, the Bank or an Affiliate, or as a member of the Board or the Bank Board. Continuous Service shall not be considered interrupted in the case of sick leave, military leave or any other leave of absence approved by the Company or in the case of transfers between payroll locations of the Company or between the Company, the Bank, an Affiliate or a successor.
- (l) “Effective Date” means the date specified in Paragraph 14 hereof.
- (m) “Employee” means any person employed by the Company, the Bank, or an Affiliate.
- (n) “Exercise Price” means the price per Optioned Share at which an Option may be exercised.
- (o) “ISO” means an option to purchase Common Stock that meets the requirements set forth in the Plan, and which is intended to be and is identified as an “incentive stock option” within the meaning of Section 422 of the Code.
- (p) “Just Cause” has the meaning set forth in any unexpired employment, service or severance agreement between the Participant and the Bank and/or the Company, or, in the absence of any such agreement, means termination because of the Participant’s personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order.
- (q) “Market Value” means the fair market value of the Common Stock, as determined under Paragraph 7(b) hereof.
- (r) “Non-Employee Director” means any member of the Board or the Bank Board who, at the time discretion under the Plan is exercised, is a “Non-Employee Director” within the meaning of Rule 16b-3.
- (s) “Non-ISO” means an option to purchase Common Stock that meets the requirements set forth in the Plan but which is not intended to be, and is not identified as, an ISO.
- (t) “Option” means an ISO or Non-ISO.
- (u) “Optioned Shares” means Shares subject to an Option granted pursuant to this Plan.

(v) “Outstanding Shares” means the total shares of Common Stock which have been issued and which (a) are not held as treasury shares, and (b) have not been cancelled or retired by the Company.

(w) “Participant” means any person who receives an Option pursuant to the Plan.

(x) “Permanent and Total Disability” means “permanent and total disability” as defined in Section 22(e)(3) of the Code.

(y) “Plan” means the HCNB Bancorp, Inc. 2002 Stock Option Plan.

(z) “Share” means one share of Common Stock.

(aa) “Transaction” means (i) the liquidation or dissolution of the Company, (ii) a merger or consolidation in which the Company is not the surviving entity, or (iii) the sale or disposition of all or substantially all of the Company’s assets.

3. Term of the Plan and Options.

(a) *Term of the Plan.* The Plan shall continue in effect for a term of ten years from the Effective Date unless sooner terminated pursuant to Paragraph 18. No Option may be granted under the Plan after ten years from the Effective Date.

(b) *Term of Options.* The Committee shall establish the term of each Option granted under the Plan. No Option may have a term that exceeds 10 years. No ISO granted to an Employee who owns Shares representing more than 10% of the outstanding shares of Common Stock at the time an ISO is granted may have a term that exceeds five years.

4. Shares Subject to the Plan

(a) Except as otherwise required by the provisions of Paragraph 11, the aggregate number of Shares deliverable upon the exercise of Options pursuant to the Plan shall not exceed 100,000 Shares. Optioned Shares may either be authorized but unissued Shares or Shares held in treasury to the extent allowed by Maryland law.

(b) If Options should expire, become unexercisable or be forfeited for any reason without having been exercised or become vested in full, the Optioned Shares shall be available for the grant of additional Options under the Plan, unless the Plan shall have been terminated.

5. Administration of the Plan.

(a) *Composition of the Committee.* The Plan shall be administered by the Committee, which shall consist of not less than three (3) members of the Board. Members of the Committee may be Employee Directors or Non-Employee Directors, and shall serve at the pleasure of the Board. In the absence at any time of a duly appointed Committee, the Plan shall be administered by the Board.

(b) *Powers of the Committee.* Except as limited by the express provisions of the Plan or by resolutions adopted by the Board, the Committee shall have sole and complete authority and discretion

- to select Participants and grant Options,
- to determine the form and content of Options to be issued in the form of Agreements under the Plan,
- to interpret the Plan,
- to prescribe, amend and rescind rules and regulations relating to the Plan, and
- to make other determinations necessary or advisable for the administration of the Plan.

The Committee shall have and may exercise such other power and authority as may be delegated to it by the Board from time to time. A majority of the entire Committee shall constitute a quorum and the action of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee without a meeting, shall be deemed the action of the Committee.

(c) *Agreement.* Each Option shall be evidenced by a written agreement containing such provisions as may be approved by the Committee. Each such Agreement shall constitute a binding contract between the Company and the Participant, and every Participant, upon acceptance of such Agreement, shall be bound by the terms and restrictions of the Plan and of such Agreement. The terms of each such Agreement shall be in accordance with the Plan, but each Agreement may include such additional provisions and restrictions determined by the Committee, in its discretion, provided that such additional provisions and restrictions are not inconsistent with the terms of the Plan. In particular, the Committee shall set forth in each Agreement:

- the Exercise Price of an Option,
- the number of Shares subject to, and the expiration date of, the Option,
- the manner, time and rate (cumulative or otherwise) of exercise or vesting of such Option, and
- the restrictions, if any, to be placed upon such Option, or upon Shares which may be issued upon exercise of such Option.

The Chairman of the Committee and such other officers as shall be designated by the Committee are hereby authorized to execute Agreements on behalf of the Company and to cause them to be delivered to the recipients of Options.

(d) *Effect of the Committee's Decisions.* All decisions, determinations, and interpretations of the Committee shall be final and conclusive on all persons affected thereby.

(e) *Indemnification.* In addition to such other rights of indemnification as they may have, the members of the Committee shall be indemnified by the Company in connection with any claim, action, suit or proceeding relating to any action taken or failure to act under or in connection

with the Plan or any Option, granted hereunder to the full extent provided for under the Company's Articles of Incorporation or Bylaws with respect to the indemnification of Directors.

6. Grant of Options.

(a) *General Rule.* The Committee, in its sole discretion, may grant ISOs or Non-ISOs to Employees of the Company, the Bank or its Affiliates and may grant Warrants and other Non-ISOs to Directors, Bank Directors or directors of Affiliates.

(b) *Special Rules for ISOs.* The aggregate Market Value, as of the date the Option is granted, of the Shares with respect to which ISOs are exercisable for the first time by an Employee during any calendar year (under all incentive stock option plans, as defined in Section 422 of the Code, of the Company or any present or future "parent" or "Subsidiary" of the Company) shall not exceed \$100,000. Notwithstanding the prior provisions of this paragraph, the Committee may grant Options in excess of the foregoing limitations, in which case such Options granted in excess of such limitation shall be Options which are Non-ISOs.

7. Exercise Price for Options.

(a) *Limits on Committee Discretion.* The Exercise Price as to any particular Option granted under the Plan shall not be less than the Market Value of the Optioned Shares on the date of grant. In the case of an Employee who owns Shares representing more than 10% of the Company's Outstanding Shares of Common Stock at the time an ISO is granted, the Exercise Price shall not be less than 110% of the Market Value of the Optioned Shares at the time the ISO is granted.

(b) *Standards for Determining Exercise Price.* If the Common Stock is listed on a national securities exchange (including the NASDAQ National Market) on the date in question, then the Market Value per Share shall be not less than the average of the highest and lowest selling price on such exchange on such date, or if there were no sales on such date, then the Exercise Price shall be not less than the mean between the bid and asked prices on such date. If the Common Stock is traded otherwise than on a national securities exchange on the date in question, then the Market Value per Share shall be not less than the mean between the bid and asked price on such date, or, if there is no bid and asked price on such date, then on the next prior business day on which there was a bid and asked price. If no such bid and asked price is available, then the Market Value per Share shall be its fair market value as determined by the Committee, in good faith, in its sole and absolute discretion.

8. Exercise of Options.

(a) *Generally.* Any Option shall be exercisable at such times and under such conditions as shall be permissible under the terms of the Plan and of the Agreement. An Option may not be exercised for a fractional Share.

(b) *Procedure for Exercise.* A Participant may exercise Options, subject to provisions relative to its termination and limitations on its exercise, only by delivering to the Company, prior to the termination of such option:

- written notice of intent to exercise the Option with respect to a specified number of Shares, and
- payment to the Company (contemporaneously with delivery of such notice) in cash, in Common Stock, or a combination of cash and Common Stock, of the amount of the Exercise Price for the number of Shares with respect to which the Option is then being exercised.

Each such notice (including required payment) shall be delivered, or mailed by prepaid registered or certified mail, addressed to the Treasurer of the Company at the Company's executive offices. Common Stock utilized in full or partial payment of the Exercise Price for Options shall be valued at its Market Value at the date of exercise.

(c) *Period of Exercisability.* An Option may be exercised by a Participant only while the Participant is an Employee or member of the Board or Bank Board and has maintained Continuous Service from the date of the grant of the Option, or within three months after termination of such Continuous Service (but not later than the date on which the Option would otherwise expire), except if the Participant's Continuous Service terminates by reason of:

- (1) Just Cause, in which case the Participant's rights to exercise such Option shall expire on the date of such termination of Continuous Service;
- (2) death, in which case, to the extent that the Participant would have been entitled to exercise the Option immediately prior to his death, such Option of the deceased Participant may be exercised within two years from the date of his death (but not later than the date on which the Option would otherwise expire) by the personal representatives of his estate or person or persons to whom his rights under such Option shall have passed by will or by laws of descent and distribution;
- (3) Permanent and Total Disability, in which case, to the extent that the Participant would have been entitled to exercise the Option immediately prior to his Permanent and Total Disability, such Option may be exercised within one year from the date of such Permanent and Total Disability, but not later than the date on which the Option would otherwise expire;
- (4) In the case of a Participant who is a member of the Board or Bank Board, removal from the Board or the Bank Board pursuant to the respective Articles of Incorporation, in which case the Participant's rights to exercise such Non-ISO shall expire on the date of such removal.

(d) Notwithstanding the provisions of any Option that provides for its exercise in installments as designated by the Committee, such Option shall become immediately exercisable upon the Participant's death or Permanent and Total Disability.

(e) *Effect of the Committee's Decisions.* The Committee's determination whether a Participant's Continuous Service has ceased, and the effective date thereof shall be final and conclusive on all persons affected thereby.

9. Conditions Upon Issuance of Shares.

(a) *Compliance with Securities Laws.* Shares of Common Stock shall not be issued with respect to any Option unless the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, any applicable state securities law, and the requirements of any stock exchange upon which the Shares may then be listed.

(b) *Special Circumstances.* The inability of the Company to obtain approval from any regulatory body or authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder shall relieve the Company of any liability in respect of the non-issuance or sale of such Shares. As a condition to the exercise of an Option, the Company may require the person exercising the Option to make such representations and warranties as the Committee determines may be necessary to assure the availability of an exemption from the registration requirements of federal or state securities law.

(c) *Committee Discretion.* The Committee shall have the discretionary authority to impose in Agreements such restrictions on Shares as it may deem appropriate or desirable, including but not limited to the authority to impose a right of first refusal or to establish repurchase rights or both of these restrictions.

10. Restrictions on Sale of Shares.

(a) *Other Restrictions.* In connection with any Agreement the Committee, in its sole discretion, may include as a term of any Option the right of the Company but not the obligation, to repurchase all or any amount of the Shares acquired by an Optionee pursuant to the exercise of any such Options (the "Repurchase Right"). The intent of the Repurchase Right is to encourage the continued employment of the Optionee. The Repurchase Right shall provide for, among other things, a specified duration of the Repurchase Right, a specified price per Share to be paid upon the exercise of the Repurchase Right and a restriction on the disposition of the Shares by the Optionee during the period of the Repurchase Right. The Repurchase Right may permit the Company to transfer or assign such right to another party. The Company may exercise the Repurchase Right only to the extent permitted by applicable law.

(b) *Legends.* The Company shall be entitled to note any restrictions on transfer, including any restrictions arising as a result of state or federal securities laws, in its transfer records, and to inscribe on each share certificate representing Shares issued upon the exercise of Options a legend noting such restrictions.

11. Effect of Changes in Control and Changes in Common Stock Subject to the Plan.

(a) *Effects of Change in Control.*

- (1) Notwithstanding the provisions of any Option that provides for its exercise or vesting in installments, all Options shall be immediately exercisable and fully vested upon a Change in Control.
- (2) At the time of a Change in Control which does not constitute a Transaction, at the sole and absolute discretion of the Committee, any or all outstanding Options may be cancelled, in exchange for which cancellation the Participant shall receive a cash payment in an amount equal to the excess of the Market Value at the time of the Change in Control of the Shares subject to such Option over the Exercise Price of such Options, provided that in no event may an Option be cancelled in exchange for cash pursuant to this paragraph (a)(2) within the six-month period following the date of its grant.
- (3) In the event there is a Transaction, all outstanding Options shall be surrendered. With respect to each Option so surrendered, the Committee shall in its sole and absolute discretion determine whether the holder of each Option so surrendered shall receive:
 - (A) for each Share then subject to an outstanding Option, an Option for the number and kind of shares into which each Outstanding Share (other than Shares held by dissenting stockholders) is changed or exchanged, together with an appropriate adjustment to the Exercise Price; or
 - (B) the number and kind of shares into which each Outstanding Share (other than Shares held by dissenting stockholders) is changed or exchanged in the Transaction that are equal in market value to the excess of the Market Value on the date of the Transaction of the Shares subject to the Option, over the Exercise Price of the Option; or
 - (C) a cash payment (from the Company or the successor corporation), in an amount equal to the excess of the Market Value on the date of the Transaction of the Shares subject to the Option, over the Exercise Price of the Option.

(b) *Recapitalizations; Stock Splits, Etc.* The number and kind of shares reserved for issuance under the Plan, and the number and kind of shares subject to outstanding Options and the Exercise Price thereof, shall be proportionately adjusted for any increase, decrease, change or exchange of Shares for a different number or kind of shares or other securities of the Company which results from a merger, consolidation, recapitalization, reorganization, reclassification, stock dividend, split-up, combination of shares, or similar event in which the number or kind of shares is changed without the receipt or payment of consideration by the Company.

(c) *Special Rule for ISOs.* Any adjustment made pursuant to subparagraphs (a)(3)(A) or (b) of this Paragraph shall be made in such a manner as not to constitute a modification, within the meaning of Section 424(h) of the Code, of outstanding ISOs.

(d) *Conditions and Restrictions on New, Additional, or Different Shares or Securities.* If, by reason of any adjustment made pursuant to this section, a Participant becomes entitled to new, additional, or different shares of stock or securities, such new, additional, or different shares of stock or securities shall thereupon be subject to all of the conditions and restrictions which were applicable to the Shares pursuant to the Option before the adjustment was made.

(e) *Other Issuances.* Except as expressly provided in this section, the issuance by the Company or an Affiliate of shares of stock of any class, or of securities convertible into Shares or stock of another class, for cash or property or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, shall not affect, and no adjustment shall be made with respect to, the number, class, or Exercise Price of Shares then subject to Options or reserved for issuance under the Plan.

12. Non-Transferability of Options.

(a) ISOs may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

(b) Non-ISOs may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution, pursuant to the terms of a “qualified domestic relations order” (within the meaning of Section 414(p) of the Code and the regulations and rulings thereunder).

13. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the later of the date on which the Committee makes the determination of granting such Option and the Effective Date. Notice of the determination shall be given to each Participant to whom an Option is so granted within a reasonable time after the date of such grant.

14. Effective Date. The Plan shall be effective as of April 10, 2002 (date of Board approval). Option grants may be made prior to approval of the Plan by the stockholders of the Company, if the exercise of Options is conditioned upon stockholder approval of the Plan.

15. Approval by Stockholders. The Plan shall be approved by stockholders of the Company within twelve (12) months before or after the Effective Date.

16. Modification of Options. At any time, and from time to time, the Board may authorize the Committee to direct execution of an instrument providing for the modification of any outstanding Option, provided no such modification shall confer on the holder of said Option any right or benefit which could not be conferred on him by the grant of a new Option at such time, or impair the Option without the consent of the holder of the Option.

17. Amendment and Termination of the Plan. The Board may from time to time amend the terms of the Plan and, with respect to any Shares at the time not subject to Options, suspend or terminate the Plan; provided that shareholder approval shall be required to increase the number of Shares subject to the Plan provided in Paragraph 4 or to extend the terms of the Plan. No amendment,

suspension, or termination of the Plan shall, without the consent of any affected holders of an Option, alter or impair any rights or obligations under any Option theretofore granted.

18. Reservation of Shares. The Company, during the term of the Plan, will reserve and keep available a number of Shares sufficient to satisfy the requirements of the Plan.

19. Withholding Tax. The Company's obligation to deliver Shares upon exercise of Options (or such earlier time that the Participant makes an election under Section 83(b) of the Code) shall be subject to the Participant's satisfaction of all applicable federal, state and local income and employment tax withholding obligations arising from the exercise of options. The Committee, in its discretion, may permit the Participant to satisfy the obligation, in whole or in part, by irrevocably electing to have the Company withhold Shares, or to deliver to the Company Shares that he already owns, having a value equal to the amount required to be withheld. The value of Shares to be withheld, or delivered to the Company, shall be based on the Market Value of the Shares on the date the amount of tax to be withheld is to be determined. As an alternative, the Company may retain, or sell without notice, a number of such Shares sufficient to cover the amount required to be withheld.

20. No Employment or Other Rights. In no event shall a Director's or Employee's eligibility to participate or participation in the Plan create or be deemed to create any legal or equitable right of the Director or Employee or any other party to continue service with the Company, the Bank, or any Affiliate of such corporations. No Director or Employee shall have a right to be granted an Option or, having received an Option, the right to be granted an additional Option.

21. Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Maryland, except to the extent that federal law shall be deemed to apply.

STOCK OPTION AGREEMENT
(For incentive stock options)

This STOCK OPTION AGREEMENT is made and entered into as of this 31st day of December, 20__, between Capital Bancorp, Inc., a Maryland corporation (the "Company") and _____ ("Participant").

WHEREAS the Company desires to grant the Participant certain options to purchase shares of the Company's common stock ("Common Stock") pursuant to the Company's 2002 Stock Option Plan (the "2002 Plan"), as approved by the stockholders.

WHEREAS the parties enter into this agreement (the "Agreement") to evidence the grant of such stock options and set forth the terms and conditions governing their exercise.

NOW, THEREFORE, the parties agree as follows:

- 1. Grant of Options.** The Company grants to Participant an option (the "Stock Options") to purchase an aggregate of _____ shares of Common Stock. The Stock Options shall constitute "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1954, as amended, to the extent that the Market Value of Common Stock with respect to which incentive stock options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company) exceeds \$100,000, such options shall be treated as options which are not incentive stock options.
- 2. Exercise Price.** The exercise price of the Stock Options is _____ dollars (\$____) per share (the "Exercise Price").
- 3. Term.** Subject to each and every one of the conditions and limitations set forth in the 2002 Plan, including but not limited to the termination of stock options in the event that the Participant ceases to be an employee of the Company or its wholly-owned subsidiary, Capital Bank N.A., the Stock Options that have vested may be exercised by the Participant, in whole or in part, at any time period commencing during the period beginning on the date hereof and terminating on December 31, 20__. Any of the Stock Options that are outstanding and unexercised at the close of business on **December 31, 20__** shall automatically, and without further action by the Company or the Participant, be canceled or terminated.

4. **Exercise.** The Stock Options may be exercised, in whole or in part, by delivery of written notice to the Chairman of the Board of the Company or their designee by the Participant, indicating the number of the Stock Options that the Participant wishes to exercise. Such notice shall be accompanied by the payment of the Exercise Price for the total number of share of Common Stock being purchased by the Participant pursuant to the exercise of all or any portion of the Stock Options. The Exercise Price shall be paid in cash (U.S. dollars).

5. **Vesting.** Stock Options granted under this Agreement vest as follows: In the event that the Stock Options have not been terminated as a result of the Participant ceasing to be an Employee of the Company or its wholly-owned subsidiary, Capital Bank, N.A., then 25% of the Stock Options granted herein vest on December 31, 20__, 50% on December 31, 20__, 75% on December 31, 20__ and 100% on December 31, 20__.

6. **Delivery of Certificate.** As soon as practicable following the exercise of the Stock Options by the Participant, the Company shall deliver or cause to be delivered to the Participant a certificate representing the share of Common Stock acquired pursuant to any such exercise.

7. **Investment.** The Participant hereby represents and warrants to the Company that any and all shares of Common Stock which shall be acquired pursuant to the exercise of the Stock Options shall be acquired for the Participant's own account, for investment, and not with a view toward resale.

8. **Arrangement of Tax Payment.** The Participant shall make arrangements required by the Company to insure that the amount of tax required to be withheld, if any, by the Company as a result of the exercise of the Stock Options is available for payment.

9. **Non-assignability.** The Stock Options granted hereby are not transferable except by will or the laws of descent or distribution and are exercisable during the Participant's lifetime only by the Participant.

10. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

11. **Entire Agreement.** This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings and arrangements, both oral and written, between the parties hereto with respect to such subject matter. This Agreement may not be amended or modified in any way unless by a written instrument executed by each of the parties hereto.

12. **Benefits; Binding Effect.** This Agreement shall ensure to the benefit of and shall be binding upon the parties hereto and their respective heirs, representatives, successors and assigns.

13. **Section Headings.** The section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation hereof.

14. **Counterparts.** This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which shall be deemed to be an original and all of which shall be deemed to be one and the same instrument.

IN WITNESS HEREOF, the parties have executed and delivered this Agreement as of the date first above written.

Capital Bancorp, Inc.

By: _____
Edward Barry, CEO

Attested by:

PARTICIPANT:

By: _____
NAME OF PARTICIPANT

STOCK OPTION AGREEMENT
(For non-incentive stock options)

This STOCK OPTION AGREEMENT is made and entered into as of this 31st day of December, 20__, between Capital Bancorp, Inc., a Maryland corporation (the “Company”) and _____, (“Participant”).

WHEREAS the Company desires to grant the Participant certain options to purchase shares of the Company’s common stock (“Common Stock”) pursuant to the Company’s 2002 Stock Option Plan (the “2002 Plan”), as approved by the stockholders.

WHEREAS the parties enter into this agreement (the “Agreement”) to evidence the grant of such stock options and set forth the terms and conditions governing their exercise.

NOW, THEREFORE, the parties agree as follows:

1. **Grant of Options.** The Company grants to Participant an option (the “Stock Options”) to purchase an aggregate of ____ shares of Common Stock. The Stock Options shall constitute “non-incentive stock options” within the meaning of Section 422 A of the Internal Revenue Code of 1954, as amended.
2. **Exercise Price.** The exercise price of the Stock Options is _____ dollars (\$____) per share (the “Exercise Price”).
3. **Term.** Subject to each and every one of the conditions and limitations set forth in the 2002 Plan, including but not limited to the termination of stock options in the event that the Participant ceases to be a director of the Company or its wholly-owned subsidiary, Capital Bank N.A., the Stock Options that have vested may be exercised by the Participant, in whole or in part, at any time period commencing during the period beginning on the date hereof and terminating on December 31, 20__. Any of the Stock Options that are outstanding and unexercised at the close of business on **December 31, 20__** shall automatically, and without further action by the Company or the Participant, be canceled or terminated.
4. **Exercise.** The Stock Options may be exercised, in whole or in part, by delivery of written notice to the Chairman of the Board of the Company or their designee by the Participant, indicating the number of the Stock Options that the Participant wishes to exercise. Such notice shall be accompanied by the payment of the Exercise Price for the total number of share of

Common Stock being purchased by the Participant pursuant to the exercise of all or any portion of the Stock Options. The Exercise Price shall be paid in cash (U.S. dollars).

5. **Vesting.** Stock Options granted under this Agreement vest as follows: In the event that the Stock Options have not been terminated as a result of the Participant ceasing to be a Director of the Company or its wholly-owned subsidiary, Capital Bank, N.A., then 25% of the Stock Options granted herein vest on December 31, 20__, 50% on December 31, 20__, 75% on December 31, 20__ and 100% on December 31, 20__.

6. **Delivery of Certificate.** As soon as practicable following the exercise of the Stock Options by the Participant, the Company shall deliver or cause to be delivered to the Participant a certificate representing the share of Common Stock acquired pursuant to any such exercise.

7. **Investment.** The Participant hereby represents and warrants to the Company that any and all shares of Common Stock which shall be acquired pursuant to the exercise of the Stock Options shall be acquired for the Participant's own account, for investment, and not with a view toward resale.

8. **Arrangement of Tax Payment.** The Participant shall make arrangements required by the Company to insure that the amount of tax required to be withheld, if any, by the Company as a result of the exercise of the Stock Options is available for payment.

9. **Non-assignability.** The Stock Options granted hereby are not transferable except by will or the laws of descent or distribution and are exercisable during the Participant's lifetime only by the Participant.

10. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

11. **Entire Agreement.** This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings and arrangements, both oral and written, between the parties hereto with respect to such subject matter. This Agreement may not be amended or modified in any way unless by a written instrument executed by each of the parties hereto.

12. **Benefits; Binding Effect.** This Agreement shall ensure to the benefit of and shall be binding upon the parties hereto and their respective heirs, representatives, successors and assigns.

13. **Section Headings.** The section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation hereof.

14. **Counterparts.** This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which shall be deemed to be an original and all of which shall be deemed to be one and the same instrument.

IN WITNESS HEREOF, the parties have executed and delivered this Agreement as of the date first above written.

Capital Bancorp, Inc.

By: _____
Chairman

Attested by:

PARTICIPANT:

By: _____
NAME OF DIRECTOR

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement on Form S-8 of Capital Bancorp, Inc. of our report dated March 30, 2018, (except for the Stock Split as described in Note 1 and Note 21, for which the date is August 17, 2018), relating to the consolidated financial statements of Capital Bancorp, Inc. and Subsidiaries as of December 31, 2017, 2016, and 2015, and for the years then ended, appearing in the Registration Statement on Form S-1, as amended (Registration Statement No. 333-227172) and the related prospectus of Capital Bancorp, Inc.

/s/ Elliott Davis, LLC

Columbia, South Carolina
November 21, 2018