



# Bank of Botetourt

March 24, 2023

Dear Shareholder,

You are cordially invited to participate virtually in the 2023 Annual Meeting of Shareholders of Bank of Botetourt. The meeting will begin at 2:30 p.m. on Wednesday, May 17, 2023. Following three years of virtual shareholder meetings necessitated by the pandemic, your Board of Directors has been encouraged by the flexibility and positive feedback that the virtual meeting format has provided our shareholders. In addition, this format provides a recorded link to the meeting for anyone unable to attend. We have decided that the virtual format makes sense for Bank of Botetourt, and we will keep it this year.

The accompanying notice and Proxy Statement describe the matters to be presented at the meeting. The purpose of this meeting is to elect directors of the Bank, to amend the Articles of Incorporation to increase the number of authorized shares and confirm the terms of our Series A Preferred Stock, and to ratify the appointment of our independent accounting firm, and to transact any other business that properly may come before the meeting. The Board of Directors does not know of any such other business that properly may come before the meeting, other than those specifically set forth in the Notice of Annual Meeting.

Please complete, sign, date, and return the enclosed Proxy form or vote online, as instructed herein, as soon as possible. If you own both Common and Preferred Shares, you will receive two separate proxy cards in this package, one card for Common Shares and one for Preferred Shares. You must fill out and sign both proxy cards or follow the directions to vote electronically. Whether or not you will be able to participate in the Annual Meeting, it is important that your shares be represented, and your vote recorded. This Proxy or Proxies may be revoked by you at any time before being voted at the Annual Meeting.

We hope you will participate virtually in our Annual Meeting to discuss the performance of the Bank.

Sincerely,

Tommy L. Moore  
Chairman

BANK OF BOTETOURT  
19747 Main Street  
P.O. Box 339  
Buchanan, Virginia 24066-0339

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Notice of 2023 Annual Meeting of Shareholders

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To be held May 17, 2023

The 2023 Annual Meeting of Shareholders of Bank of Botetourt will be conducted at our Bank's Care Center Banking Room at 19800 Main Street in Buchanan, Virginia but it will be available to our shareholders only virtually, as described below, on Wednesday, May 17, 2023, beginning at 2:30 p.m. for the following purposes:

1. To elect three Directors to serve until the next annual meeting in which the Term and the Class in which each Director expires, as the accompanying Proxy Statement describes.
2. To amend the Articles of Incorporation replacing Article II, Capital Stock, which, among other things, increases the authorized stock, and specifically confirms the terms of our Series A Preferred Stock, as provided in the attached copy.
3. To ratify the appointment of Campbell & Lineberry, PC as the Bank's independent accounting firm.
4. In their discretion, the proxies are authorized to vote upon any other business that properly may come before the annual meeting or any postponements or adjournment.

Common shareholders of record at close of business on March 21, 2023, are entitled to notice of and to vote at the annual meeting on all items above. Preferred shareholders of record at close of business on March 21, 2023, are entitled to notice of and to vote at the annual meeting on item 2 above.

By Order of the Board of Directors



G. Lyn Hayth, III  
Chief Executive Officer & Vice-Chairman

**IMPORTANT NOTICE**

PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY FORM IN THE ACCOMPANYING ENVELOPE OR VOTE ONLINE, SO THAT YOUR SHARES WILL BE REPRESENTED AT THE MEETING.

**PROXY STATEMENT**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**March 24, 2023**

**GENERAL INFORMATION**

This Proxy Statement is furnished in connection with the solicitation by and on behalf of the Board of Directors (the “Board”) of the enclosed Proxy to be used at the 2023 Annual Meeting of Shareholders of Bank of Botetourt, (the “Bank”) to begin virtually at 2:30 p.m. on Wednesday, May 17, 2023, and at any adjournments of that meeting, if necessary. The principal executive offices of the Bank are located at 19747 Main Street, Buchanan, Virginia 24066. The approximate mailing date of the Proxy Statement and the accompanying Proxy is April 3, 2023.

All properly executed proxies delivered pursuant to this solicitation will be voted as instructed, and in the absence of instructions will be voted FOR the election of Director nominees , FOR the amendment to the Articles of Incorporation, and FOR the ratification of the appointment of the independent accounting firm. Due to the virtual format of this meeting, you may not attend in person. Rather, you may vote in advance by proxy or you may vote electronically during the meeting as described below. Because of the vagaries of technology and internet service, we urge you to vote by proxy to be certain that your vote is counted. A shareholder may revoke his or her Proxy at any time before it is exercised (i) by filing written notice with the Secretary of Bank of Botetourt (Secretary, Bank of Botetourt, P.O. Box 339, Buchanan, Virginia 24066-0339); or (ii) by filing a later valid Proxy with the Secretary of Bank of Botetourt by mail or electronically, as provided below; or (iii) by participating in the Annual Meeting or any adjournment, as provided below, and voting electronically. However, any revocation will not affect any vote previously taken. We follow with answers to some common questions about this material and about our Annual Meeting.

The Notice of 2023 Annual Meeting of Shareholders, Proxy Statement, and the 2022 Annual Report to Shareholders are available at the Shareholder Relations section of our website [www.bankofbotetourt.com](http://www.bankofbotetourt.com). The direct link to the materials is as follows:

**<https://bankofbotetourt.q4ir.com/financials/annual-reports/default.aspx>**

*How can I make sure that my vote is counted?*

Whether or not you plan to participate in the virtual Annual Meeting, you may ensure your representation by voting your Common or Preferred Shares by one of the following methods:

- by submitting a traditional paper proxy card according to the instructions on the card; or
- by submitting a proxy via the Internet prior to the Annual Meeting according to the instructions on the card; or
- by participating in the Annual Meeting online and voting electronically during the meeting, as you will be instructed.

### *How do I submit a Proxy via the internet?*

You may submit a proxy via the Internet by following the instructions set forth on the proxy card form. If your Common Shares or Preferred Shares are registered in the name of a broker, financial institution or other nominee (i.e., you hold your Shares in “street name”), your nominee may allow you to submit a proxy via the internet. In that case, the voting form your nominee sent you will provide instructions for submitting your proxy via the internet. For shareholders whose Common or Preferred Shares are registered in the name of a broker, financial institution or other nominee, please consult the instructions provided by your nominee for information about the deadline for submitting a proxy via the internet.

### *How do I vote my shares in the virtual Annual Meeting?*

If you participate in the live webcast of the virtual Annual Meeting, you will have the opportunity to vote your Common or Preferred Shares electronically during that live webcast by following the instructions below and any instructions provided prior to or during that meeting.

### *How to I participate in the virtual annual meeting?*

You will login into the meeting website a few minutes before 2:30 p.m. on May 17, 2023, as shown below. If you have not voted in advance, you will enter your Control Number to enter the site. If you have voted in advance, you will enter the site as a Guest.

### **Meeting Website**

**[meetnow.global/MQD79D4](https://meetnow.global/MQD79D4)**

### *Who may vote at the meeting?*

The Board of Directors of Bank of Botetourt has fixed March 21, 2023, as the record date for shareholders entitled to notice of and to vote at the Annual Meeting. Only shareholders of record at the close of business on that date will be entitled to vote. Each share of common stock is entitled to one vote on all matters presented at the meeting. This includes shares held directly in your name and shares held for you in an account with a broker, bank or other nominee (shares held in “street name”).

### *How many shares must be present to hold the meeting?*

A majority of Bank of Botetourt’s outstanding shares of common stock and preferred stock as of the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a “quorum.” As of March 21, 2023, we had 1,944,297 shares of common stock outstanding and 243,659 shares of preferred stock outstanding, so 972,150 Common Shares and 121,831 Preferred Shares must be present at the meeting, either virtually or by Proxy, to satisfy this quorum requirement. Abstentions and broker non-votes are counted for the purposes of determining whether a quorum has been reached in the meeting, but not considered in determining the number of votes cast with respect to such matters. Abstentions count as “present” at the meeting, but broker non-votes do not count as “present”.

**Your vote is especially important, since your broker has no discretion to vote shares held on your behalf with respect to non-routine transactions, such as election of directors.**

If you hold your shares through a broker and do not provide your broker with voting instructions, that will result in a broker non-vote for each share that you hold. A large number of broker non-votes could affect the ability of the Bank to achieve a quorum at the Annual Meeting.

*What proposals will be voted on at the meeting?*

The first voting proposal is for the election of the directors. The second voting proposal is for an amendment to the Articles of Incorporation. The third voting proposal is for the ratification of the appointment of Campbell & Lineberry, PC as the independent accounting firm.

*Who is requesting my vote?*

The Board of Directors of the Bank is soliciting proxies on its behalf in the enclosed form. These solicitations will be conducted primarily through the mail. Please mail your completed Proxy in the envelope included with these Proxy materials. In addition to the use of the mail, directors, officers or employees of the Bank may solicit your Proxy by telephone or other means. No director or employee who solicits proxies will receive any additional compensation for that effort, although they may be reimbursed for out-of-pocket expenses. The cost of preparing, assembling, and mailing this Proxy Statement, the Notice of Meeting, and the enclosed Proxy is borne by the Bank.

*How many votes are required to approve each proposal?*

The approval of the election of directors requires a quorum equaling the vote of at least one-half (50%) of the Bank's outstanding Common and Preferred Shares. Votes may be cast "For" or "Withheld" with regard to the election of directors. If a quorum is present, the director nominees receiving the greatest number of affirmative votes cast at the Annual Meeting will be elected directors; therefore, abstentions or votes withheld will have no effect, except to establish the quorum. Directors will be elected by a plurality of the votes cast at the Annual Meeting. This means that the three nominees for Class II directors receiving the most votes cast at the meeting will be elected as directors, even if one or more does not receive a majority of the votes submitted. If a quorum is present, broker non-votes likewise will have no effect on the election of directors. It should be noted, however, that discretionary voting by brokers in uncontested elections of directors has been eliminated.

The approval of the amendment to the Articles of Incorporation requires the vote of more than one-half (50%) of the shares voted, provided that a quorum is reached.

The approval of the ratification of the appointment of Campbell & Lineberry, PC as the independent accounting firm requires the vote of more than one-half (50%) of the shares voted, provided that a quorum is reached.

IF SOMEONE ELSE HOLDS YOUR SHARES, WE URGE YOU TO CONTACT THE PERSON OR BROKER RESPONSIBLE FOR YOUR ACCOUNT TODAY AND INSTRUCT THEM TO EXECUTE A PROXY ON YOUR BEHALF FOR THE ANNUAL MEETING.

## *How do I vote?*

You may vote by mail by completing the enclosed Proxy card, signing it, and mailing it in the enclosed return envelope provided. You may vote by submitting a proxy via the Internet prior to the Annual Meeting according to the instructions on the proxy card. If your stock is held in “street name,” follow the directions from your broker and return to them your voting instruction card. You can revoke your vote any time prior to the meeting. You may revoke on a paper proxy, but it must be received by the Bank or Transfer Agent before the voting poll closes.

If you wish to vote during the virtual meeting, you will do so by entering the Control Number provided in the mailed proxy package. You can change your vote any time until the voting poll closes, as described in the General Information section of this proxy statement.

## **Principal Holders of Capital Stock**

The following table shows the share ownership as of March 24, 2023, of the stockholders known to the Bank to be the beneficial owner of more than 5% of the Bank’s common stock.

| <b><u>NAME AND ADDRESS</u></b>                                           | <b><u>AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP</u></b> | <b><u>OWNERSHIP AS A PERCENTAGE OF COMMON STOCK</u></b> |
|--------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Cutler Capital Management, LLC<br>306 Main Street<br>Worcester, MA 01608 | 99,294                                                  | 5.11%                                                   |

Specific holdings of the directors and holdings as a group can be found on pages 7-8.

## **ITEM I - ELECTION OF DIRECTORS**

The Bank’s Board is divided into three classes (I, II, and III). Class II directors are considered for re-election this year. The terms of office for the three Class II directors will expire at the Annual Meeting and the nominees to serve as Class II directors (Mr. G. Lyn Hayth, III, Ms. Michelle R. Austin, and Ms. Elizabeth S. Doughty) are set forth below. Mr. Hayth, Ms. Austin, and Ms. Doughty currently serve as directors of the Bank. Mr. Hayth was appointed as a director of the Bank in 1990. Ms. Doughty was elected as a director of the Bank in 2020. Ms. Austin was appointed as a director effective February 20, 2023.

If elected, the Class II directors will serve until the Annual Meeting of Shareholders held in 2026 or until their respective successors are duly elected and qualified.

The persons named in the enclosed Proxy intend to vote for the election of the three persons named below. Proxies will be voted for the election as directors of the nominees listed below (or, if unexpectedly unavailable, for such substitutes as the Board of Directors may designate). The Board of Directors does not anticipate that any nominees will be unavailable for election. More information about our Board and our nominees is provided below under “Information Regarding Directors and Nominees.”

**The Board of Directors unanimously recommends that shareholders vote “FOR” the election of the nominees set forth in this Proxy Statement.** The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of common stock cast in the election of directors. Only Common Shares vote for the election of Directors.

## **ITEM II – AMENDMENT TO THE ARTICLES OF INCORPORATION**

The proposed Articles of Amendment to the Articles of Incorporation replace Article II, “Capital Stock.” That Article describes the number and terms of the Bank’s common and preferred stock. Specifically, it increases the authorized common stock from 2,500,000 shares to 5,000,000 shares; and it increases the authorized preferred stock from 500,000 shares to 1,000,000 shares. We currently have 1,944,297 shares of common stock outstanding and 243,659 shares of Series A Preferred Stock outstanding.

We are growing quickly, which is good news. Consolidation in our industry left us as the only locally-headquartered community bank in our area. From January 1, 2021, to December 31, 2022, we have increased our consolidated assets from \$596,595,221 to \$713,717,694, or 19.6%. This speed of growth, however, does present challenges. As we increase our customer base, deposits and loans, bank regulations require more bank capital to offset those increases. We can increase capital in a number of ways, including sale of common stock and preferred stock, and sale of special types of convertible debt, but the most important type of capital, tier 1 capital, must be common stock or stock the Bank, at its sole discretion, may convert into common stock. Our status as a non-reporting Bank, for purposes of the Securities Act of 1931, requires that we continue to maintain fewer than 1,200 shareholders in total, which is why, given the choice, we will offer future stock to our shareholders or try to limit the number of new shareholders we involve. Still, we may need to find additional capital quickly in the future, even if involving new shareholders. This amendment, which increases the number of shares available and sets forth specific categories of terms for preferred stock, may help us do that. This also provides the specific terms for Series A Preferred Stock. The terms provided for Series A Preferred Stock in this Amendment are consistent with terms previously disclosed. Still, since this provides some additional language, this Amendment cannot be approved without also receiving approval from the holders of a majority of Series A Preferred Stock. Please read Appendix A, proposed Articles of Amendment carefully.

In addition, in anticipation of this amendment to our Articles of Incorporation, we have amended our Bylaws consistent with the Articles. Our revised Bylaws are available to read at the Investor Relations section of our website [www.bankofbotetourt.com](http://www.bankofbotetourt.com).

**The Board of Directors unanimously recommends that shareholders vote “FOR” the Articles of Amendment to the Articles of Incorporation attached to this Proxy Statement.** The approval of the Articles of Amendment requires the affirmative vote of the holders of a majority of the outstanding shares of both common stock and Series A preferred stock.

## **ITEM III - RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT ACCOUNTING FIRM**

Upon recommendation and selection by the Audit Committee, Campbell & Lineberry, PC (“Campbell & Lineberry”) has been appointed as the independent accounting firm to audit the

financial statements of the Bank for the year ending December 31, 2022. Campbell & Lineberry has audited the Bank's financial statements for nine years. This appointment is provided for ratification by the shareholders. A representative of Campbell & Lineberry is expected to be available during the virtual meeting. Only holders of Common Shares vote on the appointment of accountants.

## **RETIREMENT**

### ***Tommy L. Moore, Director since 1982***

Mr. Tommy L. Moore is concluding his current term and is retiring from the Board of Directors of the Bank effective immediately after the Annual Meeting. Mr. Moore serves as the Clerk of the Botetourt County Circuit Court, a position he has held for over 31 years. Mr. Moore served both active and reserve duties in the United States Marine Corps for nearly 36 years, retiring as a Colonel in 2005. Mr. Moore's experience in law, local government, and management have provided terrific insight to our Board, resulting in him serving as the Chair of our Board since 2021. He has served on our Board for over 40 years, and every year has been a benefit to our Bank. His insight and guidance have been consistently helpful, especially in critical times, and he always championed for Bank of Botetourt to remain an independent community bank. In all situations, he has been calm, deliberative, and wise. He is aging off according to our Bylaws and may not stand for reelection. We thank Mr. Moore sincerely for his years of dedicated leadership and service to our Board.

### **Replacement Director and Further Announcement**

The Bank's bylaws allow a board of directors consisting of anywhere from six to ten members. Mr. Moore's retirement would leave us with eight members of the board of directors of the Bank. The Board recently announced that Mr. Hayth decided to relinquish the title of President of the Bank, in order to concentrate more on his duties as Vice-Chairman of the Board of Directors and Chief Executive Officer. After deliberation, and upon Mr. Hayth's recommendation, we promoted Ms. Michelle R. Austin as President of the Bank. Ms. Austin will continue as Secretary of the Bank and Chief Operating Officer of the Bank. Dustin G. Bays, our Chief Accounting Officer, was promoted to Chief Financial Officer. We also appointed Ms. Austin as a Director of the Bank, and we offer and recommend her for your confirmation as a Director. She has 30 years of experience in the Banking industry and has served most recently as CFO for 18 years and Secretary of the Bank for 6 years. She has consistently offered accurate reporting of financial and regulatory developments and provided exceptional advice to the Board. We look forward to Ms. Austin's further contributions as a Director and President.



#### **ITEM IV - OTHER BUSINESS**

The Board of Directors does not know of any matters that may be presented for consideration at the meeting other than those specifically set forth in the Notice of Annual Meeting. However, in the event other proper matters are presented at the meeting, it is the intention of the Proxy holders named in the enclosed Proxy to take action that is in accordance with their best judgment with respect to such matters.

#### **INFORMATION CONCERNING DIRECTORS AND NOMINEES**

The following information, including principal occupation, is given in connection with the nominees for election to the Board at the Annual Meeting and for the Directors who will continue in office after the Annual Meeting. None of the Directors are biologically related.

## DIRECTOR NOMINEES

| <u>Nominees (Age)</u>                       | <u>Director Since</u> | <u>Principal Occupation And Directorships</u>                                                                    | <u>Common Shares Owned</u> | <u>% of Total</u> | <u>Preferred Shares Owned</u> | <u>% of Total</u> |
|---------------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------|-------------------------------|-------------------|
| <b><u>CLASS II (Serving until 2026)</u></b> |                       |                                                                                                                  |                            |                   |                               |                   |
| G. Lyn Hayth, III (64)                      | 1990                  | CEO & Vice-Chairman of Bank of Botetourt                                                                         | 15,545.0                   | 0.80%             | 4,000.0                       | 1.64%             |
| Michelle R. Austin (51)                     | 2023                  | President & COO and Secretary of Bank of Botetourt                                                               | 4,741.0                    | 0.24%             | 359.0                         | 0.15%             |
| Elizabeth S. Doughty (68)                   | 2020                  | Founder of Beth Doughty LLC, a consulting practice specializing in economic and community development strategies | 395.1                      | 0.02%             | 323.0                         | 0.13%             |

## DIRECTOR WHO WILL CONTINUE IN OFFICE

### **CLASS III (Serving until 2024)**

|                         |      |                                                                                                        |          |       |         |       |
|-------------------------|------|--------------------------------------------------------------------------------------------------------|----------|-------|---------|-------|
| Nicholas C. Conte (60)  | 2019 | Executive Vice President and General Counsel for Carilion Clinic                                       | 4,538.7  | 0.23% | 2,600.0 | 1.07% |
| Joyce R. Kessinger (70) | 1986 | Retired Director of Human Resources, Boxley Material Company, a construction material supplier company | 31,018.7 | 1.60% | 1,317.0 | 0.54% |

### **CLASS I (Serving until 2025)**

|                              |      |                                                                                                                |           |       |          |       |
|------------------------------|------|----------------------------------------------------------------------------------------------------------------|-----------|-------|----------|-------|
| Terry L. Austin (67)         | 2014 | President of Austin Electric Construction; 19 <sup>th</sup> District member of the Virginia House of Delegates | 9,275.5   | 0.48% | 1,165.0  | 0.48% |
| D. Bruce Patterson (72)      | 2001 | Retired Rockbridge County Clerk of Circuit Court                                                               | 15,492.2  | 0.79% | 1,000.0  | 0.41% |
| John B. Williamson, III (68) | 2003 | Chairman of RGC Resources, Inc., a public reporting energy provider company                                    | 38,083.0  | 1.96% | 5,359.0  | 2.20% |
| 8 Directors as a group       |      |                                                                                                                | 119,089.2 | 6.13% | 16,123.0 | 6.62% |

- (1) Mr. Hayth holds 5,160 common shares and 4,000 preferred shares in his own name; 10,385 common shares are held jointly with his spouse and are reported in his total beneficial ownership.
- (2) Ms. Austin holds 4,741 common shares and 359 preferred shares in her own name.
- (3) Mrs. Doughty holds 395.1 common shares and 323 preferred shares in her own name.
- (4) Mr. Conte holds 2,568.6 common shares in his own name; 1,970.1 common shares and 2,600 preferred shares are held jointly with his spouse and are reported in his total beneficial ownership.
- (5) Mrs. Kessinger holds 21,795 common shares in her own name; 9,223.7 common shares and 1,317 preferred shares are held solely by her spouse and are reported in her total beneficial ownership.
- (6) Mr. Austin holds 9,275.5 common shares and 1,165 preferred shares in his own name.
- (7) Mr. Patterson holds 15,492.2 common shares and 1,000 preferred shares in his own name.
- (8) Mr. Williamson holds 2,945 common shares in his own name; 35,138 common shares and 5,359 preferred shares are held jointly with his spouse and are reported in his total beneficial ownership.

UNLESS AUTHORITY FOR THE NOMINEES IS WITHHELD, THE SHARES REPRESENTED BY THE ENCLOSED PROXY CARD, IF EXECUTED AND RETURNED, WILL BE VOTED FOR THE ELECTION OF THE NOMINEES PROPOSED BY THE BOARD OF DIRECTORS.

### **Board Meeting, Committees, Attendance, and Fees**

During 2022 there were 12 meetings of the Board of Directors of the Bank. Each director attended at least 75% of all meetings of the Board and committees on which he or she served.

The Board of Directors has an Audit Committee that typically meets about eight times a year, as needed, and a Loan Committee that typically meets once a month. The Bank has an Executive Committee with responsibilities and oversight of investments, governance, and nominations, as well as other matters delegated by the Board of Directors. The Bank has an “RTC” Committee with oversight of enterprise risk management, technology, and compliance, including policy review. The Bank has a Marketing & Innovation Committee with oversight of marketing and product innovation. These respective committees meet at least quarterly. The Bank also had a Compensation Committee, which meets as needed, typically 1-3 times a year.

In 2022, each member of the Board of the Bank received a retainer of \$15,000 per year and \$250 per assigned committee meeting attended. The Chair of each respective Bank Committees receives a \$500 annual payment for committee leadership duties. The Chairman of the Board of Directors received an additional \$5,000 a year for the leadership responsibilities required of the position. Directors may elect to defer all or a portion of said fees in accordance with a deferred compensation plan.

### **Shareholder Communications with the Board**

The Bank has an informal process for shareholders to communicate with the Board of Directors. If you wish to communicate with the Board or any of its members, you may do so by sending written correspondence to the Board or any member at the Bank’s principal address, Attention: Board of Directors, P.O. Box 339, Buchanan, Virginia 24066-0339.

### **Interest of Management in Certain Transactions**

As of December 31, 2022, the total maximum outstanding loans to policymaking officers, directors, principal stockholders and their associates amounted to \$396,159 or 0.60%, of total year-end capital. This amount also represents the maximum aggregate amount of such indebtedness in 2022. The maximum credit available to policymaking officers, directors, principal stockholders and their associates was \$763,446 at December 31, 2022. These loans were made in the ordinary course of the Bank’s business, on the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others, and do not involve more than the normal risks of collectability or present any unfavorable features. None of these loans are past due or on non-accrual status. The Bank expects to have in the future similar banking transactions with officers, directors, principal shareholders and their associates.

## **Defined Benefit Pension Plan**

In 2022, the Bank had a qualified, noncontributory, cash balance pension plan (“Pension Plan”), sponsored by the Virginia Bankers Association, and covered all eligible employees with one year of service who have attained the age of twenty-one. The Bank is permitted to make annual contributions to the Pension Plan. Contribution credits are based on a tier for age and years of service. Interest is credited annually based on a rate tied to the 10-year Treasury rate and is guaranteed to meet the minimum threshold established by the IRS and not less than 3% on an annual basis. Upon retirement, the Pension Plan permits immediate lump sum, lump sum payments over 3, 4, and 5-year terms, and monthly benefit payment options. The Pension Plan’s funded status is discussed in Note 11 to the Consolidated Financial Statements.

## **Deferred Compensation Plan**

Funded deferred compensation plans have been adopted for certain members of the Board and Executive employees. Under this plan, directors’ fees and executive officer bonuses may be contributed to the plan at the sole discretion of the director or executive officer. This plan is managed by the Virginia Bankers Association. The corresponding assets and liabilities accounts at December 31, 2022, were valued at \$790,628 for the Director Plan. There are no active participants in the Executive Plan, and therefore the corresponding assets and liabilities have a zero balance.

## **Defined Contribution/Profit Sharing**

The Bank provides a qualified defined contribution/profit-sharing plan for employees, including executive officers. Bank contributions to the profit-sharing plan are made at the discretion of the Board of Directors. A profit-sharing declaration of 2% of eligible wages was declared by the Board of Directors in 2022. The defined contribution plan allows voluntary employee contributions of up to the IRS maximum limit. In 2022, the first 1% of employee contributions was matched 100% by the Bank. The next 5% of employee contributions was matched 50% by the Bank. The total contribution to the defined contribution and profit-sharing components of the plan by the Bank for all employees in 2022 was \$341,697.

## **Employment and Change of Control Agreements**

The Bank has employment agreements with CEO Hayth, President Austin, and EVP Honts which includes provisions for noncompete, non-solicit, and change of control. In addition, the Bank has a change of control agreement and a non-solicit agreement with other senior officers of the Bank warranted by the nature of their job responsibilities. We believe all of these agreements protect the Bank and ensure continued service at or below costs borne by comparable community banks. The purposes of these agreements are to provide appropriate incentives to executive management, based on their respective duties. We believe that this aligns their financial interests more deeply with the Bank’s performance, while also helping the Bank

achieve continuity of direction.

### **Bank Owned Life Insurance and Split Dollar Life Insurance Agreements**

The Bank has Bank Owned Life Insurance with aggregate single premiums totaling \$3,833,333, insuring the lives of 27 select officers and former officers. The Bank entered into an individual pre-retirement split-dollar life insurance agreements with these selected officers in the amount of \$50,000 death benefit. This benefit assists with the objective of recognizing their services as vital to the continued growth and profits of the Bank. In recognition of their past and future service, providing additional benefit to their designee(s), in the event of his or her untimely death while employed at the Bank, provides some measure of financial security to his or her family. This insurance benefits the designee(s) of each respective employee/insured until that employee/insured retires, at which point the Bank becomes the beneficiary of the policy. At March 24, 2023, 20 of the 27 remaining living insureds were still employed by the Bank.

### **Independent Public Accountants**

The Bank's Audit Committee appointed Campbell & Lineberry, PC as independent public accountants for the fiscal year ended December 31, 2022. A representative of Campbell & Lineberry, PC will be available during the Annual Meeting and will be given the opportunity to make a statement and respond to appropriate questions from the shareholders.

### **2024 SHAREHOLDER PROPOSALS**

If any shareholder intends to present a proposal to be considered for inclusion in the Bank's Proxy materials in connection with the 2024 Annual Meeting, the proposal must be in proper form and must be received by the Bank's Secretary, at the Bank's principal office in Buchanan, Virginia, on or before December 1, 2023.

. . . . .

Shareholders are urged to specify choices on the enclosed Proxy and to date and return it in the enclosed envelope. Your prompt response and cooperation will be appreciated. We look forward to a future meeting to seeing our shareholders in person.

By Order of the Board of Directors



G. Lyn Hayth, III  
Chief Executive Officer & Vice-Chairman

Dated: March 24, 2023

## **APPENDIX**

### Appendix A. Articles of Amendment

## Appendix A

### ARTICLES OF AMENDMENT OF BANK OF BOTETOURT

The undersigned corporation, pursuant to Title 13.1, Chapter 9, Article 11 of the Code of Virginia, hereby executes the following articles of amendment and sets forth:

1. Article II of the Articles of Incorporation of the Corporation is amended and restated by increasing the number of shares of each class of stock and further describing the designations for each class of stock, as provided below:

#### ARTICLE II CAPITAL STOCK

A. The aggregate number of shares of stock which the Bank shall have the authority to issue, and the par value per share, are as follows:

| Class           | Number<br>of Shares | Par<br>Value |
|-----------------|---------------------|--------------|
| Common Stock    | 5,000,000           | \$1.50       |
| Preferred Stock | 1,000,000           | \$1.00       |

B. No holder of shares of any class of stock of the bank shall have any preemptive or preferential right to purchase or subscribe to (i) any shares of any class of stock of the Bank whether now or later authorized, (ii) any warrants, rights, or options to purchase any such stock, or (iii) any securities or obligations convertible into any such stock or into warrants, rights or options to purchase any such stock.

#### C. Common Stock

1. The holders of Common Stock shall, to the exclusion of the holders of any other class of stock of the Bank, have the sole and full power to vote for the election of directors and for all other purposes without limitation, except only as otherwise provided in any articles of amendment applicable to any series of Preferred Stock, and as otherwise expressly provided by the then applicable Code of Virginia. The holders of the Common Stock shall have one vote for each share of Common Stock held by them. The holders of Common Stock will be entitled to dividends at such times and in such amounts as the Board of Directors may deem advisable.

In the event of any liquidation, dissolution or winding up (whether voluntary or involuntary) of the Bank, after the payment or provision for payment in full for all deposits and all other debts and other liabilities of the Bank and all preferential amounts to which the holders of shares at the time outstanding of Preferred Stock shall be entitled, the remaining net assets of the Bank shall be distributed ratably among the holders of the shares at the time outstanding of Common Stock.

## D. Preferred Stock

1. Issuance In Series. The Board of Directors is empowered to cause Serial Preferred Stock of the Bank to be issued in series with such of the variations permitted by clauses (a) – (h), both inclusive of this Section 1 as shall have been fixed and determined by the Board of Directors with respect to any series.

The shares of the Serial Preferred Stock of different series may vary as to:

(a) the number of shares constituting such series, and the designation of such series, which shall be such as to distinguish those shares from the shares of all other series and classes;

(b) the rate of dividend, the time of payment and, if cumulative, the dates from which dividends shall be cumulative, and the extent of participation rights, if any;

(c) any right to vote with holders of shares of any other series or class and any right to vote as a class, either generally or as a condition to specified corporate action;

(d) the price at and the terms and conditions on which shares may be redeemed, if at all;

(e) the amount payable upon shares in event of involuntary liquidation;

(f) the amount payable upon shares in event of voluntary liquidation;

(g) any sinking fund provisions for the redemption or purchase of shares; and

(h) if the shares of any series are issued with the privilege of conversion, the terms and conditions on which shares may be converted, and the parties who have such privilege.

The shares of all series of Serial Preferred Stock shall be identical except as, within the limitations set forth above in this Section 1, shall have been fixed and determined by the Board of Directors prior to the issuance of those shares.

2. Dividends. The holders of the Serial Preferred Stock of each series shall be entitled to receive, if and when declared payable by the Board of Directors, dividends at the dividend rate for such series, and not exceeding such rate except to the extent of any participation right. Such dividends shall be payable on such dates as shall be fixed for such series. Dividends, if cumulative and in arrears, shall not bear interest.

No dividends shall be declared or paid upon or set apart for the Common stock or for stock of any other class created in the future ranking junior to the Serial Preferred Stock in respect of dividends or assets (called Junior Stock), and no shares of Serial Preferred Stock, Common stock or Junior Stock shall be purchased, redeemed or otherwise reacquired for a consideration, nor shall any funds be set aside for or paid to any sinking fund therefor, unless and until (i) full dividends on the outstanding Serial Preferred Stock at the dividend rate or rates therefor, together with the full additional amount required by any participation right, if any, have been paid or declared and set apart for payment due with respect to all past dividend periods, to the extent that the holders of the Serial Preferred Stock are entitled to dividends with respect to any past dividend period, and the current dividend period, and (ii) all mandatory sinking fund payments that have become due in respect of any series of the Serial Preferred Stock shall have been made. Unless full dividends with respect to all past dividend periods on the outstanding Serial Preferred Stock at the dividend



rate or rates therefor, to the extent that holders of the Serial Preferred Stock are entitled to dividends with respect to any particular past dividend period, together with the full additional amount required by any participation right, shall have been paid or declared and set apart for payment and all mandatory sinking fund payments that shall have become due in respect of any series of the Serial Preferred Stock shall have been made, no distributions shall be made to the holders of the Serial Preferred Stock of any series unless distributions are made to the holders of the Serial Preferred Stock of all series then outstanding in proportion to the aggregate amounts of the deficiencies in payments due to the respective series, and all payments shall be applied first, to dividends accrued and in arrears, next, to any amount required by any participation right, and, finally, to any mandatory sinking fund payments. The terms “current dividend period” and “past dividend period” mean, if two or more series of Serial Preferred Stock having different dividend periods are at the time outstanding, the current dividend period, or any past dividend period, as the case may be, with respect to each such series.

3. Series A Preferred Stock. Series A Preferred Stock shall consist of a maximum of 325,000 shares and have the following terms: The Bank shall not issue fractional shares of Preferred Stock. Holders of Series A Preferred Stock will have no rights to vote their respective shares for the election of directors or for all other purposes, except that they may vote on amendments or restatements to articles of incorporation specifically applicable to Series A Preferred Stock, and as otherwise expressly provided by the then applicable Code of Virginia. Solely at the discretion of the Bank, and no earlier than five years after the issuance of such Series A Preferred Stock, this Preferred Stock may be converted into Common Stock on a one-for-one basis (one share of such Preferred Stock exchanged for one share of Common Stock), but such conversion ratio will be adjusted proportionately consistent with any stock distribution to holders of Common Stock pursuant to Virginia Code §13.1-645 or stock split (the “conversion rate”). Fractional shares, if any, will be paid in cash at the fair market value of such fraction of share at the time of conversion multiplied by the conversion rate. Solely at the discretion of the Bank, and no earlier than five years after the issuance of such Series A Preferred Stock, the Bank may redeem this Series A Preferred Stock at the fair market value of such stock at the time of redemption multiplied by the conversion rate. “Fair market value,” for purposes of this paragraph, is: (i) the then current market price of Common Stock, as quoted on the applicable national exchange on which it trades; or (ii) if not so quoted and traded on a national exchange at that time, then as determined, in good faith, by the Bank consistent with past practice and upon advice of a third-party financial advisor. Subject to the determination by the Bank each quarter that it can and should pay such dividends, the Bank will pay dividends to holders of Series A Preferred Stock at the annualized rate of 7.00% of the purchase price of the Preferred Stock, or \$0.49 per share each quarter. Dividends are noncumulative, and a determination by the Bank not to pay dividends in any quarter eliminates the obligation to pay such dividend. No cash dividends may be paid to holders of Common Stock in any quarter until all holders of Series A Preferred Stock have been paid in full dividends due that quarter. Similarly, in the event of a liquidation of the Bank, after the payment or provision for payment in full for all deposits and all other debts and other liabilities of the Bank as set forth in Section A above, holders of Series A Preferred Stock have a preference over holders of Common Stock and must be repaid the full purchase price for such stock before any payment may be made to holders of Common Stock.

2. The foregoing amendment was approved unanimously and adopted by the Board of Directors at its regular meeting held on January 31, 2023, pursuant to Virginia Code Section 13.1-706.4. The amendment is subject to shareholder approval on May 17, 2023.

Executed in the name of the Corporation by its President.

BANK OF BOTETOIRT

By \_\_\_\_\_  
G. Lyn Hayth, III, President\*

Date: January 31, 2023

State Corporation Commission ID#: 0000314-5

\*Mr. Hayth was President of Bank of Botetourt on January 31, 2023 when the Board of Directors approved the Articles of Amendment. Ms. Austin became President of Bank of Botetourt on February 20, 2023.

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